

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|--|-------------------------------|---|-------------------|
| Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name: Charter Township of Grand Blanc | County Genesee |
| Audit Date December 31, 2003 | Opinion Date April 5, 2004 | Date Accountant Report Submitted To State: June 29, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|-------------------------------------|--------------------------|-------------------------------------|
| The letter of comments and recommendations. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reports on individual federal assistance programs (program audits). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Single Audit Reports (ASLGU). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

| | | | |
|---|--------------------|-------------|--------------|
| Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC | | | |
| Street Address 27400 Northwestern Hwy. | City Southfield | State MI | ZIP 48034 |
| Accountant Signature  | | | |

Charter Township of Grand Blanc Genesee County, Michigan

Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2003

Prepared by the Treasurer's and Controller's Offices

Charter Township of Grand Blanc

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June 2004

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

This letter serves to formally transmit to the Board of Trustees the Comprehensive Annual Financial Report for the 2003 fiscal year. This report was prepared by the finance and treasurer's departments. The state statutes require that the Charter Township of Grand Blanc issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for the accuracy of the data and the completeness and fairness of this presentation, including all disclosures, rests with the treasurer. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the governmental activities, business-type activities, and the various funds of the Charter Township of Grand Blanc. All disclosures necessary to enable the reader to gain an understanding of the Charter Township of Grand Blanc's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, and a list of the Charter Township of Grand Blanc's principal elected and appointed officials and department heads. The financial section has been changed this year to meet the GASB Statement No. 34 reporting requirements. It includes the management's discussion and analysis; the basic financial statements, which are comprised of the entity-wide financial statements, fund financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules; and the required and other supplemental information on the budgetary comparison schedules and combining financial statements for nonmajor funds. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multiyear basis.

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

Township Services

The Charter Township of Grand Blanc (the “Charter Township”) provides various services to its citizens. Among these are police protection, planning, zoning, building, property assessment, general administrative services, voter registration, partial water and sewer operations, partial snow removal, mosquito control, and garbage collection. The Charter Township also participates with the City of Grand Blanc (the “City”) in jointly funded ventures such as: Grand Blanc Fire Commission, Grand Blanc Parks and Recreation Commission/Senior Citizen Activity Center, and the Grand Blanc District Library. The Charter Township of Grand Blanc’s Board is comprised of the supervisor, clerk, treasurer, and four trustees. All Board members are elected for a four-year term and their election process coincides with the presidential election.

Economic Condition and Outlook

The Charter Township of Grand Blanc was incorporated in 1833 and is located in the southeastern part of Genesee County. Genesee County is located in the mid-state section of Michigan about 60 miles north of the city of Detroit. The Charter Township currently has a land area of 32.1 square miles and a population of approximately 33,000. The Charter Township is a mixture of commercial, office, manufacturing, health care, and rural residential and planned subdivisions. The Charter Township still maintains a rural atmosphere with a variety of age, size, and price for its housing. The Township has 67 residential developments under some phase of construction. With the 67 on-going subdivisions, the majority of housing sales were from new construction with the average 2003 housing estimated construction cost at \$195,629.

A major factor that has contributed to the positive expansion of our Charter Township is the fact that Grand Blanc is located off the first four exits of I-75 just north of the fastest-growing county in Michigan and the sixth wealthiest in the nation, Oakland County. Oakland County residents are finding very affordable housing in the Grand Blanc community and are still within a 30-minute expressway commute from their Oakland County employment. The 658 property sales and the 326 new housing building permits with a projected construction value of \$63.8 million led Genesee County for 2003. The Charter Township continued to experience a strong number of residential improvement permits at 420. This consistency helps support the public’s continued community confidence to invest in their homes.

However, the overall permits and actual construction for 2003 was less than 2002 and less than budgeted. As mentioned in the management’s discussion and analysis, the Genesee County Builders Association brought a suit against the Charter Township in 2003 claiming that the Charter Township did not show proper justification for the fee increase. During the course of the court proceedings, the Charter Township put a moratorium on new construction. This helped bring the lawsuit to fruition. An agreement was reached that the Charter Township would hire outside consultant services to assist in determining the current and future water and sewer infrastructure needs. From this, our engineering and auditing firm would be utilized to assist in establishing a tap-in fee structure. The study and capacity software modeling will be completed in 2004.

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

As our housing is being filled with new people, commercial needs are increasing. There were 28 new commercial building permits in 2003. The conservative value of these permits totaled \$11.8 million. This new commercial construction and the commercial vacancy rate of 6 percent indicate that businesses are finding our community a viable location.

Besides affordable and diverse housing, varied and growing retail outlets, and work opportunities within a 30-minute drive, an additional drawing point to our community is the Grand Blanc Community Schools, which service 95 percent of the Charter Township. The Grand Blanc Community School District continually places its students' MEAP, PSAT, ACT, and AP composite scores in the top 3 percent of State Districts. In 2002, the high school and two of the elementary schools were awarded the Michigan Quality Council Leadership Award based on Malcolm Baldrige education criteria for performance excellence. They were the only schools in Michigan for 2002 to receive this award.

The Grand Blanc community is fortunate to have a large number of strong community-based organizations such as the Grand Blanc Chamber of Commerce, Vision 20/20, Grand Blanc Arts Council, Character Community Council, Rotary, Kiwanis, Elks, and the Grand Blanc Newcomers Club. The Grand Blanc Community School Board, the City of Grand Blanc Council, and the Grand Blanc Township Board of Trustees meet on a quarterly basis to discuss community issues and individual and community-wide goals. Also, leaders from each entity meet on a monthly basis.

The Charter Township has two General Motors facilities within its boundaries to support its tax base. The Charter Township relies on GM as the major part of the tax base. GM's percentage of the tax base decreased from 6.4 percent in 2002 to 5.77 percent in 2003. The metal fabrication plant that has been historically a stamping plant for sheet metal parts has been redesigned as a tooling support facility for new assembly lines. GM invested \$20 million in this transfer and will employ 600 employees. The headquarters for General Motors service and parts operation is also located in the Charter Township and employs approximately 1,300 employees.

Even though the State of Michigan and Genesee County continue to experience economic difficulties, the Charter Township's location to Oakland County fuels a favorable economic environment and local indicators point to continued stability and growth.

Major Initiatives

The Charter Township government has been involved in a variety of projects throughout the year. These projects reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment. The mission statement of the Charter Township of Grand Blanc is "To provide a safe, caring, and quality community in which to live, work, and play."

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

Our police department is a progressive full-service law enforcement agency providing 24/7 dispatching and policing services, D.A.R.E., senior citizens call-in, vacation checks, operation identification, K-9 unit, motorcycle unit, and a reconstruction team.

The continued growth of the Charter Township is directly related to the infrastructure capabilities. The total water lines increased 9 miles to 173 miles and the sanitary sewer system increased 4 miles to 219 miles.

A goal from the Charter Township's strategic planning session of 2002 was to prepare the Charter Township for addressing the crowded conditions it was experiencing within the administrative building. With the December 2001 tax millage, the Charter Township had paid in full three water/sewer bonds that had accounted for approximately .4 mills. Following public hearings, the Charter Township Board of Trustees increased the general operating millage .3 mills for the winter of 2002. This additional .3 millage was specifically dedicated for a township civic campus plan. A consultant was retained to assist the Charter Township in determining the needs assessments for its facilities and staff and then to review vacant land for future use capability. In 2003, the consultant worked with a Civic Campus Committee to reduce the possible sites to one. The Charter Township is currently pursuing purchase of this land. Once purchased, an architect will be retained to assist the Charter Township in developing a campus setting and to design the governmental buildings. In 2004, the Charter Township will pay off its last water line bond. The intent of the Board is to increase the General Fund budget by the amount the millage associated with the paid-off bonds had previously generated. The Charter Township is attempting to position itself so that it will have a dedicated tax of approximately .7 mills for any new construction while not raising the total Charter Township tax package.

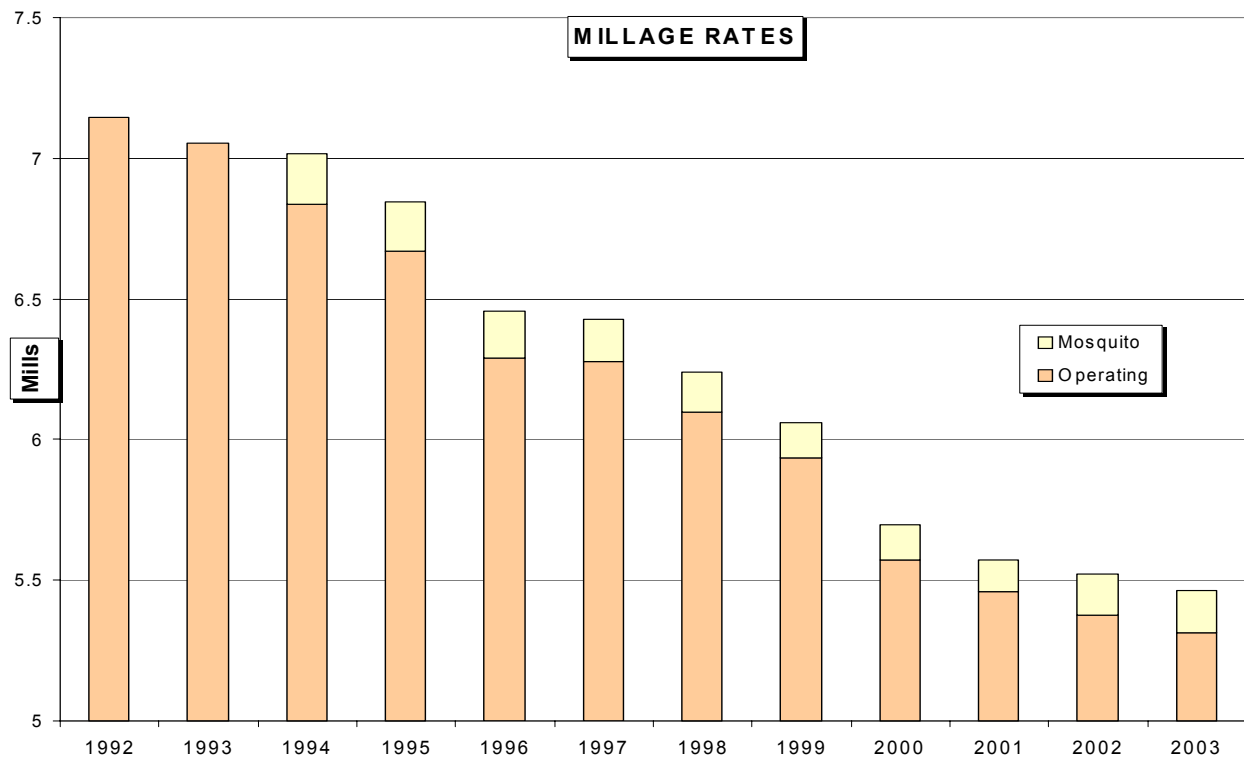
While the Charter Township had initially set aside over \$1 million in 2003 for capital projects/purchases, the Charter Township only spent \$326,000. Seven police cars, a portion for a bike path, park pavilion renovation, and landscaping at the Charter Township park were the major expenditures for 2003. A \$2.7 million balance was moved forward to the 2004 year.

Following the DPW vehicle replacement schedule, the Charter Township purchased one dump truck and two 4WD pickup trucks. The sewer camera truck was paid off in 2003. While the Charter Township purchases its water from Genesee County, it still maintains its well system for backup and/or emergency use.

The Charter Township continued its policy of communication of information to its residents through greatly expanding the use of the website, newsletters, and local newspaper articles.

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

For the fourteenth consecutive year, the Charter Township Board of Trustees reduced the total Charter Township tax millage. The 2003 Charter Township millage of 5.4618 was 1.1 percent lower than 2002. See the following bar graph.



| | | | | | | | | | | | | |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Mosquito | 0 | 0 | .18 | .1765 | .1678 | .1523 | .1393 | .125 | .125 | .1154 | .15 | .15 |
| Operating | 7.1441 | 7.0546 | 6.8375 | 6.6693 | 6.2898 | 6.2752 | 6.0994 | 5.9362 | 5.5736 | 5.4583 | 5.3737 | 5.3113 |
| Total | 7.1441 | 7.0546 | 7.0175 | 6.8458 | 6.4576 | 6.4275 | 6.2387 | 6.0612 | 5.6986 | 5.5737 | 5.5237 | 5.4613 |

Achievements

On July 12, 2003, the Charter Township's police department was awarded recognition and accreditation by C.A.L.E.A. (Commission on Accreditation for Law Enforcement Agencies). This is a nationally prominent award. The department met all applicable policing standards according to its size and function. The standards addressed all areas of administration, operation, and technical activities. A C.A.L.E.A team of assessors did a comprehensive review of all aspects of the police department.

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Charter Township of Grand Blanc for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This was the eighth consecutive year that the Charter Township has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Accounting Systems and Budgetary Control

The Charter Township of Grand Blanc Board of Trustees adopts an annual budget in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978. The Charter Township's fiscal year is January through December. The annual budget is adopted each October for the subsequent year. Budgetary controls include the fact that expenditures do not exceed revenues for the year plus beginning fund balance. The Board of Trustees must approve all budget amendments made throughout the fiscal year.

As a recipient of federal and state financial assistance, the Charter Township is responsible for ensuring an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

As part of the Charter Township's audit, tests were made of the government's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Results of the Charter Township's 2003 audit provided no instances of material weaknesses in the internal control structure or violations of applicable laws and regulations.

As demonstrated by the statements and schedules included in the financial section of this report, the Charter Township continues to meet its responsibility for sound financial management.

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

Pension and Postemployment Benefits

The Charter Township of Grand Blanc provides pension programs to its full time employees. All of the general and DPW employees belong to a defined contribution program, whereas the Charter Township contributes a flat percentage of the employee's gross wages to the pension program. The Charter Township has made every payment to the pension program since the beginning of the program (see Note 11). Per the collective bargaining agreement with the Charter Township's patrol officers and dispatchers, their pension program has been transferred to the Michigan Municipal Employees' Retirement System (MMERS), with the Charter Township paying a fixed rate and the employees' rate adjusted per an actuary (see Note 10).

In an effort to address health care costs for future retirees of the Charter Township of Grand Blanc, the Charter Township has established a dedicated Employee Benefits Fund. The intent is to set aside some of the yearly revenues over expenditures into this fund. At some future point in time, the cost of retiree health care would be paid from the investments from this fund. As noted in the fiduciary funds section of the other supplemental information, the Charter Township has \$1,267,837 in this fund as of December 2003.

Deferred Compensation Plan

The Charter Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation funds are not available to employees until termination, retirement, death, or unforeseeable emergency.

Cash Management

The Charter Township operates under the direction of its nationally recognized investment policy and the parameters established by the State of Michigan. The Charter Township's investment policy received two Certifications of Excellence from the Municipal Treasurers Association United States and Canada. For 2003, the Charter Township's investments provided an average yield on all funds of approximately 1.73 percent. Cash temporarily idle during the year was invested in certificates of deposits and demand deposits ranging from 7 days to 120 days to maturity; commercial paper ranging from 19 days to 90 days to maturity; U.S. government instruments; and authorized investment pools. Any uninvested funds in the bank checking accounts were swept into interest-bearing sweep accounts. As checks were presented for payment, monies to cover the checks were transferred from the trust accounts back into the checking accounts. The type of investment and length of investment were determined by the Charter Township's four objectives: safety of capital; liquidity; return on investment; and maintaining the public's trust. Since a large portion of the Charter Township's deposits is not insured and Michigan law does not require collateralization of government deposits, the Charter Township uses a national independent rating service to review and rate depository banks and savings and loan institutions. The status of all financial institutions is reviewed quarterly. The Charter Township Board of Trustees and the public are presented a quarterly comprehensive

To the Citizens of the Charter Township of Grand Blanc
and the Board of Trustees
Grand Blanc, Michigan

investment report identifying all investments and interest earned by type and fund. The report contains comments on economic conditions, investment strategies, and a performance comparison with standard indices.

Risk Management

The Michigan Township Participating Plan covers the Charter Township's liability and the Accident Fund Company covers workers' compensation. United Wisconsin Group covers the employees' disability insurance.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Charter Township's Board of Trustees selected the firm of Plante & Moran, PLLC. The Charter Township of Grand Blanc met all requirements as set forth by Michigan state statutes. The auditors, in conducting the audit, used auditing standards generally accepted in the United States of America. Plante & Moran, PLLC's report on the basic financial statements is included in the financial section of this report.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to the Charter Township's finance department for their assistance and input. Additionally, the accounting firm of Plante & Moran, PLLC made substantial contributions in the preparation of this document. Lastly, I wish to acknowledge the Charter Township of Grand Blanc Board of Trustees for their interest and commitment to responsible, prudent, and progressive financial leadership.

Respectfully submitted,

A handwritten signature in black ink, reading "Jeffery L. Cyphert". The signature is written in a cursive, flowing style.

Jeffery L. Cyphert, CPFA
Township Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Charter Township of
Grand Blanc, Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

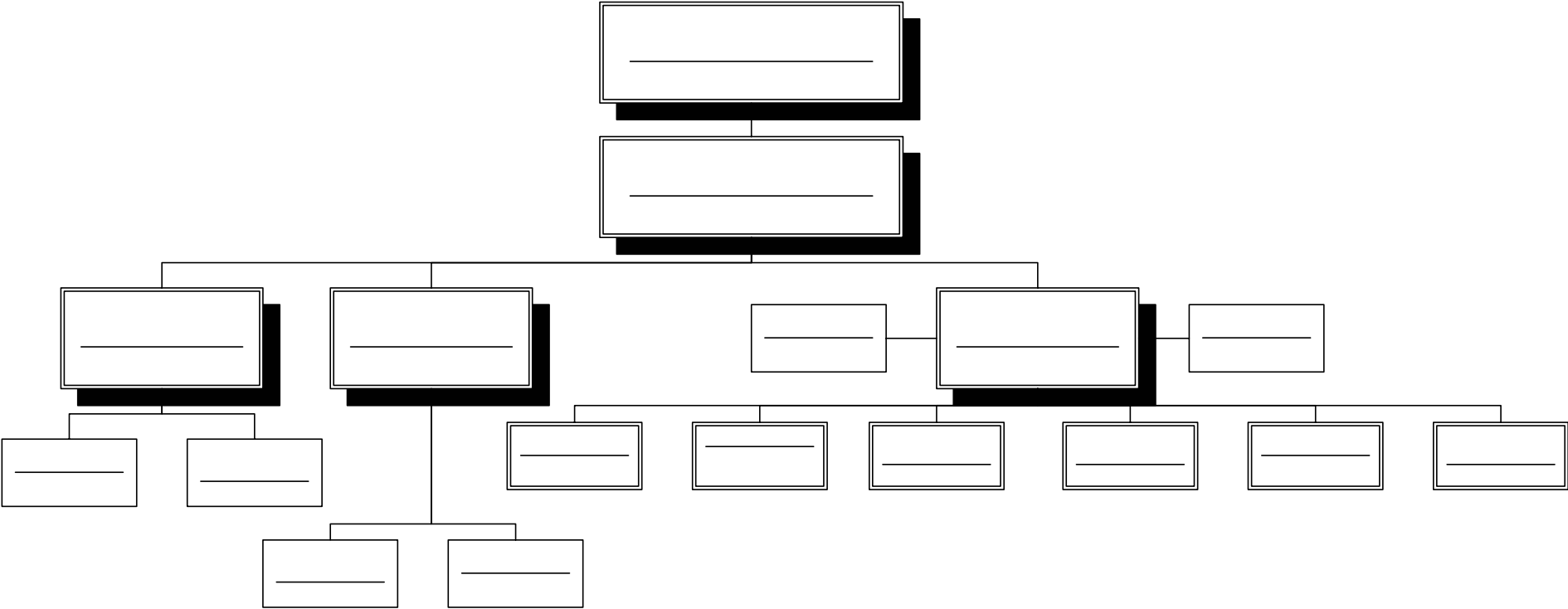
Charter Township of Grand Blanc

List of Principal Officials December 31, 2003

| Title | Name |
|-------------------------------|---|
| Supervisor | Jeffrey Zittel |
| Clerk | Lorraine A. Parker |
| Treasurer | Jeffery L. Cyphert |
| Board of Trustees | Roger W. Swaim Marilyn M. Hoffman Ann Moss Catherine A. Lane |
| Finance Director | Jeffery L. Cyphert |
| DPW Superintendent | Norman R. Riopelle |
| Police Chief | David Stamm |
| Fire Chief | James B. Harmes |
| Assessor | Peggy Nolde |
| Building Official | Kirk F. Richardson |
| Parks and Recreation Director | Kae A. Eidson |
| Planning and Zoning | Keith Edwards |
| GIS Coordinator | Matt Malone |

Charter Township of Grand Blanc

Charter Township of Grand Blanc Organization Chart





Plante & Moran, PLLC

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350 S. Main St.

Ann Arbor, MI 48104

Tel: 734.665.9494

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plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Charter Township of Grand Blanc
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Grand Blanc as of and for the year ended December 31, 2003, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Grand Blanc's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Grand Blanc as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Board of Trustees
Charter Township of Grand Blanc
Genesee County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Grand Blanc's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The combining balance sheets and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As described in Note 1, the Charter Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003. As discussed in Note 1, the Charter Township changed its method of accounting for state-shared revenue.

Plante & Moran, PLLC

April 5, 2004

Charter Township of Grand Blanc

Management's Discussion and Analysis

This section of the Charter Township of Grand Blanc's annual financial report presents our discussion and analysis of the Charter Township's financial performance during fiscal year ended December 31, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the Charter Township's financial statements, which follow this section.

Overview of the Financial Statements

The 2003 Comprehensive Annual Financial Report of the Charter Township of Grand Blanc follows a different format than in previous years. This annual report has been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. This annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplemental information, other supplemental information (which presents combining statements for nonmajor governmental funds and fiduciary funds), and a statistical section. The basic financial statements include two kinds of statements that present different views of the Charter Township. The first two statements are government-wide financial statements that provide both short-term and long-term information about the Charter Township's status. The remaining statements are fund financial statements that focus on individual parts of the Charter Township government, reporting in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Charter Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Charter Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Charter Township's net assets and how they have changed. Net assets, the difference between the Charter Township's assets and liabilities, are one means to measure the Charter Township's financial health or position.

The government-wide financial statements of the Charter Township are divided into two categories:

- **Government activities** - Most of the Charter Township's basic services are included here, such as police, fire protection, public works, recreation and culture, and general administration. Property taxes, state-shared revenue, charges for services, and investment earnings provide most of the funding.
- **Business-type activities** - The Charter Township charges fees to customers to help it cover the costs of certain services it provides. The Charter Township's water and sewer system is included here.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Charter Township's most significant funds - not the Charter Township as a whole. Funds are accounting devices that the Charter Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. The Charter Township Board of Trustees establishes other funds to control and manage money for particular purposes (such as the Master Campus Project) or to show that it is properly using certain taxes or grants (such as the Drug Forfeiture Fund).

The Charter Township has three kinds of funds:

- Governmental funds - Most of the Charter Township's basic services are included in the governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter Township's operation.
- Proprietary funds - Services for which the Charter Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information. The Charter Township's proprietary fund is the Department of Public Works (DPW) and accounts for the operations of water and sewer services.
- Fiduciary funds - The Charter Township is the trustee, or fiduciary, for ensuring that the assets reported in these funds are used for their intended purposes. All of the Charter Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Charter Township's government-wide financial statements because the Charter Township cannot use these assets to finance its operation.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

Financial Analysis of the Charter Township as a Whole

The Charter Township has combined net assets of \$82 million. This was a total increase of \$5 million or 6.5 percent for 2003. The business-type activities comprised \$71.3 million and government activities accounted for \$10.4 million of total net assets. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB No. 34; therefore, a comparative statement of activities is not part of the management's discussion and analysis. However, we felt it was necessary to establish a benchmark for this year's reporting of the effect on the Charter Township's net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year. All numbers are in thousands.

TABLE I

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | (in thousands) | | | | | |
| Assets | | | | | | |
| Current and other assets | \$ 15,110 | \$ 15,995 | \$ 7,386 | \$ 6,223 | \$ 22,496 | \$ 22,218 |
| Capital assets | <u>5,779</u> | <u>5,767</u> | <u>65,620</u> | <u>62,872</u> | <u>71,399</u> | <u>68,639</u> |
| Total assets | 20,889 | 21,762 | 73,006 | 69,095 | 93,895 | 90,857 |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 1,414 | 1,698 | 27 | 151 | 1,441 | 1,849 |
| Other liabilities | <u>9,095</u> | <u>10,857</u> | <u>1,626</u> | <u>1,200</u> | <u>10,721</u> | <u>12,057</u> |
| Total liabilities | <u>10,509</u> | <u>12,555</u> | <u>1,653</u> | <u>1,351</u> | <u>12,162</u> | <u>13,906</u> |
| Net Assets | | | | | | |
| Invested in capital assets - Net of related debt | 5,779 | 5,767 | 65,617 | 62,732 | 71,396 | 68,499 |
| Restricted | 446 | 464 | 90 | 62 | 536 | 526 |
| Unrestricted | <u>4,155</u> | <u>2,976</u> | <u>5,646</u> | <u>4,950</u> | <u>9,801</u> | <u>7,926</u> |
| Total net assets | <u>\$ 10,380</u> | <u>\$ 9,207</u> | <u>\$ 71,353</u> | <u>\$ 67,744</u> | <u>\$ 81,733</u> | <u>\$ 76,951</u> |

Both the governmental and business-type activities showed increases for 2003 in total net assets of 12.7 percent and 5.4 percent, respectively. The category changes are minimal and consistent with the prior year.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled \$12 million in 2003. The synopsis of the Charter Township's tax millage for 2003 was 3.9806 for Charter Township operation and master campus plan; .9253 for Charter Township police; .4678 for Charter Township debt; and .1500 for Charter Township mosquito control. Of the total revenues, \$7.1 million or 58.7 percent were in the form of property tax collections. Our residential growth continues to support annual increases in property tax revenues. State-shared revenue contributed 24 percent or \$2.9 million of the total revenues. This area of revenue continues to be of concern as the State of Michigan works at its economic recovery and balancing its budget. All information coming from the state indicates continued reduction in revenue sharing to all governmental entities.

Charges for services represent 10.2 percent of the total revenues. The Charter Township's housing construction provides building permits and inspection fees, which represents 64.1 percent of the charges for services revenue. This is a further example of how growth is positively affecting the Charter Township.

On an encouraging note, the interest on long-term debt of \$25,000 was only .3 percent of the total expenses. Net assets for 2003 increased \$1,173,000.

TABLE 2

| | Governmental Activities | Business-type Activities | Total |
|------------------------------------|----------------------------|-----------------------------|----------|
| | 2003 | 2003 | 2003 |
| | (in thousands) | | |
| Revenue | | | |
| Program revenue: | | | |
| Charges for service | \$ 1,229 | \$ 6,570 | \$ 7,799 |
| Operating grants and contributions | 285 | - | 285 |
| Capital grants and contributions | 50 | 3,451 | 3,501 |
| General revenue: | | | |
| Property taxes | 7,077 | 166 | 7,243 |
| State-shared revenue | 2,889 | - | 2,889 |
| Unrestricted investment earnings | 200 | 100 | 300 |
| Unrestricted fees and other | 320 | - | 320 |
| Miscellaneous | 13 | 43 | 56 |
| Total revenue | 12,063 | 10,330 | 22,393 |

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

| | Governmental Activities 2003 | Business-type Activities 2003 | Total 2003 |
|---------------------------------------|------------------------------------|-------------------------------------|------------------|
| | (in thousands) | | |
| Expenses | | | |
| General government | \$ 2,997 | \$ - | \$ 2,997 |
| Public safety | 5,465 | - | 5,465 |
| Public works | 1,887 | - | 1,887 |
| Community and economic development | 234 | - | 234 |
| Recreation and culture | 282 | - | 282 |
| Interest on long-term debt | 25 | - | 25 |
| Water and sewer | - | 6,721 | 6,721 |
| Total expenses | 10,890 | 6,721 | 17,611 |
| Increase in Net Assets | 1,173 | 3,609 | 4,782 |
| Net Assets - December 31, 2002 | 9,207 | 67,744 | 76,951 |
| Net Assets - December 31, 2003 | <u>\$ 10,380</u> | <u>\$ 71,353</u> | <u>\$ 81,733</u> |

Business-type Activities

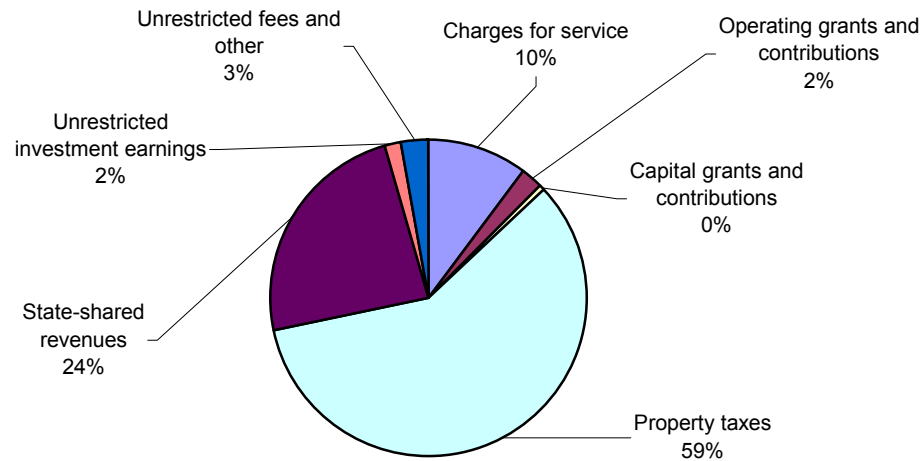
The Charter Township has one business-type activity: the water and sewer system. The Charter Township purchases water from Genesee County and the Charter Township's sewage is pumped to Genesee County treatment facilities. The water and sewer operations are primarily funded by user fees or charges for services. The revenues from charges for services of \$6.6 million covered 97.8 percent of the \$6.7 million of water and sewer expenses. The Charter Township's goal is to have the water and sewer operations self-supporting. The \$3.5 million of capital grants and contributions represents the infrastructure that was donated to the Charter Township by the developers and special assessment districts that were constructing new subdivisions and water and sewer tap in fees. The net assets for business-type activities at the end of 2003 shows an increase of \$3.6 million.

Charter Township of Grand Blanc

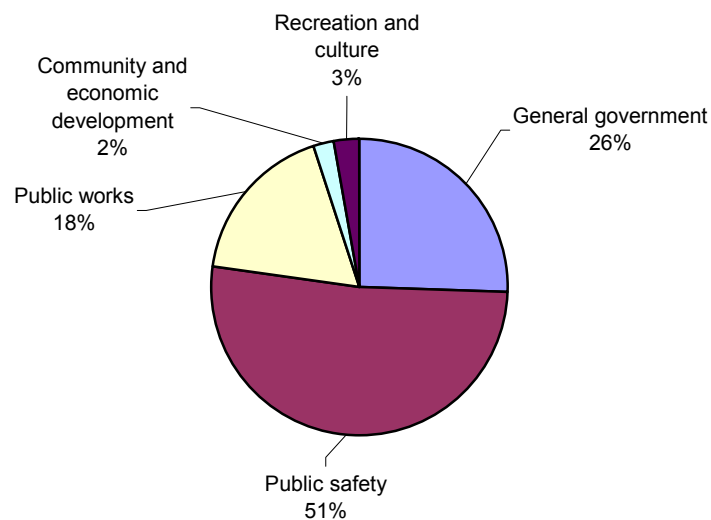
Management's Discussion and Analysis (Continued)

The following pie charts offer a quick view of the revenues and expenses of governmental activities as a percentage of the whole.

TOTAL REVENUES



TOTAL EXPENSES



Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

Capital Assets

The Charter Township has combined capital assets of approximately \$71,396,000. The following schedule provides a summary of the capital assets, net of accumulated depreciation for 2002 and 2003. Numbers are in thousands.

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | (in thousands) | | | | | |
| Land | \$ 1,480 | \$ 1,479 | \$ 42 | \$ 42 | \$ 1,522 | \$ 1,521 |
| Buildings and improvements | 3,055 | 3,144 | 401 | 410 | 3,456 | 3,554 |
| Furniture and equipment | 697 | 758 | 2,042 | 1,886 | 2,739 | 2,644 |
| Water and sewer distribution systems | - | - | 62,187 | 59,657 | 62,187 | 59,657 |
| Vehicles | 548 | 385 | 944 | 877 | 1,492 | 1,262 |
| Total | <u>\$ 5,780</u> | <u>\$ 5,766</u> | <u>\$ 65,616</u> | <u>\$ 62,872</u> | <u>\$ 71,396</u> | <u>\$ 68,638</u> |

There was minimal change to land, buildings and improvement, and furniture and equipment categories. As noted earlier, the Charter Township did receive donated sewer and water line infrastructure. In the vehicles category, the police department received seven new vehicles for the governmental activities and the DPW received a new dump truck and two 4WD pickups for the business-type activities.

Long-term Debt

The notes to the financial statements indicate that the Charter Township has a total of \$1,440,847 in governmental and business activity debt. Of this debt, 22.9 percent is related to employee-compensated absences. The Charter Township has \$455,187, or 31.6 percent, of the debt as part of outstanding water line construction bonds that will be paid off in 2004. The Charter Township has a policy of assisting in financing road improvements within the Charter Township that are completed by the Genesee County Road Commission. These obligations are then paid over a 10-year period. As of the end of 2003, the Charter Township's road improvement debt obligation was \$526,365. The Charter Township's debt represents 2 percent of total net assets of governmental activities and business-type activities.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

The Charter Township's Nonmajor Governmental Funds

Beginning on page 52 of this report, there is a summary of three types of nonmajor governmental funds:

- **Special Revenue Funds** - These funds were established to meet specific requirements or needs that would allow the Charter Township to track specific revenues and expenditures. Three of the funds are self-explanatory. The Bicentennial Park Fund was established to track revenues from a cell tower located on Charter Township property that is used by the local parks and recreation department. Parks and recreation have exclusive use of these revenues.
- **Capital Projects Funds** - These funds identify specific capital projects and track the related expenditures. For the Master Campus Project, the Charter Township Board has identified specific tax revenues for new Charter Township facility design and construction.
- **Permanent Funds** - The Charter Township is responsible for two cemeteries. These funds identify the principal monies and the investment revenue that is expendable for maintenance.

Financial Analysis of Charter Township Funds and Budgets

The following budget analysis comes from the data provided in the budgetary comparison schedules - General Fund on pages 47 and 48 of this report. The Charter Township exceeded its total budgeted revenues for 2003 by 6.5 percent, or \$322,000, even though there were two major revenue shortfall areas. A 33 percent reduction from budget in building permits was a result of a lawsuit, short building moratorium, and slow-down of issuing new building permits pending a "bolt" study.

In 2002, the Charter Township Board increased the tap-in fees for both water and sewer \$1,000. During 2003, the Genesee County Builders Association brought a suit against the Charter Township claiming that the Charter Township did not show proper justification for the fee increase. During the course of the court proceedings, the Charter Township put a moratorium on new construction. This helped bring the lawsuit to fruition. An agreement was reached that the Charter Township would hire outside consultant services to assist in determining the current and future water and sewer infrastructure needs. From this, our engineering and auditing firm would be utilized to assist in establishing a tap-in fee structure. The study and capacity software modeling will be completed in 2004.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

The low interest rates for short-term government backed investments continued to have a negative effect on investment revenue. The good news is that we had overestimated the loss of state revenue sharing for 2003. At the time our 2003 budget was being approved by the Charter Township Board, we were aware that the state was going to cut revenue sharing 3 percent and very possibly more during 2003. Revenue sharing has become very difficult to correctly budget due to the State of Michigan's adjustments during the course of its budget year and the growth of our Charter Township. However, the financial statements show that revenue sharing came in over budget due to the change in accounting method for recognizing the revenue, as discussed in Note I to the financial statements.

The Charter Township had five departments that were over budget for expenditures. Three of the departments were less than 2 percent over budget. The clerk's office was required to purchase new voting machines that had not been previously budgeted. This caused this department to exceed budget by \$25,581. The office building incurred some unbudgeted repairs for 2003 thus causing building and grounds to exceed their budget by \$7,105. Of the departments that were under budget, most of the variance was due to temporary staffing vacancy or employee use of workers' compensation or sick leave. The actual expenditures for the operation of the general government were \$148,720 less than budgeted or a variance of 6.1 percent. With the sudden retirement of the finance director in November 2003, some of the end of the year department budget adjustments were not presented to the Charter Township Board for approval.

The net effect for 2003 shows an excess of revenues over expenditures prior to transfers out of \$988,819. After transfers out of \$1,000,712, expenditures exceeded revenues and other financing uses by \$11,893. This decreased the Charter Township's General Fund balance to \$1,018,296.

The Charter Township had set aside approximately \$655,000 in the Capital Projects Fund for its part in road maintenance and paving in 2003. All engineering and construction oversight is performed by the Genesee County Road Commission, which ultimately has responsibility for the roads within the Charter Township. A schedule could not be worked out with the Genesee County Road Commission for any of the projects. All the slated projects have been pushed forward to 2004.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The general Charter Township operations have two major funding sources and a number of smaller sources. Taxes and state revenue sharing constitute the major funding sources with 52 percent and 29 percent of the total Charter Township General Fund revenue, respectively. The demand for new housing has continued to keep the Charter Township as the number one governmental entity for permits issued in Genesee County for the seventh year in a row. Housing plats that have had initial approval from the Charter Township Board yet have not been developed equate to approximately 6,000 lots. Continued housing opportunity is available. Even with the moratorium and slow down, there were 326 new housing permits issued. The statistical section shows that the Charter Township's taxable value has increased an average of 8.5 percent per year for the last 10 years. The \$81.5 million increase for 2003 equated to an 8.1 percent increase over 2002.

Two separate commercial developers placed options to purchase 80 acres and 75 acres of land within the Charter Township. Both are looking at developing their land via the Planned Urban Development (PUD) concept. One has received the initial Charter Township Board PUD concept approval for a \$100,000,000 commercial development. This would generate almost \$300,000 in new taxes for the Charter Township. The second developer has submitted plans but as of this writing has not petitioned the Board for the PUD approval.

The Charter Township, similar to other municipalities, is wrestling with major increases in health care for its employees. Over 90 percent of its employees are unionized and all their contracts are currently pending renegotiation. An effort is being made to reduce the number of health care carriers and adjust the prescription co-pay to better position the Charter Township as these benefit areas increase in cost. The Charter Township continues to increase the balance of funds set aside for retirees' health care in the Employee Benefits Fund. The Charter Township's intent is to have a self-supporting fund for retiree's health care costs.

As stated earlier, the Charter Township will be paying off three water line construction bonds in 2004. This will reduce the bond debt millage approximately .41 mills. The Charter Township Board intends to increase its general operating millage .41 mills for the winter 2004 tax collection and dedicate this additional revenue to the Master Campus Plan. Combining this millage with the dedicated .30 mills increase in 2002 will produce approximately \$800,000+ annually. This would give the Charter Township a solid base to borrow monies for the construction of a new police station, Charter Township hall, DPW facility, and an upgraded fire station. The Charter Township is addressing its facility needs, yet not increasing the total Charter Township millage to its residents. The Charter Township Board believes this is a very prudent means of addressing the shrinking office space and an outdated building.

Charter Township of Grand Blanc

Management's Discussion and Analysis (Continued)

In light of the builders' lawsuit, health care issues, demand for additional office space, and difficult economic conditions for the State of Michigan, this report indicates that the Charter Township continues to expand its already strong financial base with another positive year. The Charter Township has reduced long-term debt by 31.7 percent, increased the total governmental fund balance by 14 percent, increased governmental net assets 12.7 percent, and decreased the total Charter Township property taxes millage rate 1.1 percent.

Contacting the Charter Township's Financial Management

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the Charter Township's finances and to show the Charter Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the treasurer at the Charter Township of Grand Blanc, P.O. Box 1833, 5371 S. Saginaw St., Grand Blanc, MI 48439, or visit our website at www.twp.grand-blanc.mi.us.

Charter Township of Grand Blanc

Charter Township of Grand Blanc

Statement of Net Assets December 31, 2003

| | Primary Government | | |
|--|----------------------|----------------------|----------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| Assets | | | |
| Cash and cash equivalents (Note 3) | \$ 5,339,781 | \$ 4,262,125 | \$ 9,601,906 |
| Investments (Note 3) | 1,260,847 | 400,241 | 1,661,088 |
| Receivables - Net: | | | |
| Property taxes | 5,065,734 | 127,859 | 5,193,593 |
| Customers | 822,364 | 1,931,018 | 2,753,382 |
| Receivables billed on tax roll | - | 275,795 | 275,795 |
| Tap-in assessment receivables | - | 416,710 | 416,710 |
| Other | 43,294 | - | 43,294 |
| Due from other governmental units | 969,776 | - | 969,776 |
| Internal balances | 24,779 | (24,779) | - |
| Investments in joint ventures: | | | |
| Fire commission (Note 12) | 1,459,526 | - | 1,459,526 |
| Parks and recreation (Note 12) | 124,351 | - | 124,351 |
| Capital assets - Net (Note 4): | | | |
| Nondepreciable capital assets | 1,480,422 | 42,065 | 1,522,487 |
| Depreciable capital assets - Net | 4,298,482 | 65,574,966 | 69,873,448 |
| Total assets | 20,889,356 | 73,006,000 | 93,895,356 |
| Liabilities | | | |
| Accounts payable | 360,401 | 1,496,315 | 1,856,716 |
| Accrued and other liabilities | 591,159 | 129,285 | 720,444 |
| Due to other governmental units | 358,030 | - | 358,030 |
| Deferred revenue | 7,786,230 | - | 7,786,230 |
| Noncurrent liabilities (Note 6): | | | |
| Due within one year | 586,369 | - | 586,369 |
| Due in more than one year | 827,287 | 27,191 | 854,478 |
| Total liabilities | 10,509,476 | 1,652,791 | 12,162,267 |
| Net Assets | | | |
| Invested in capital assets - Net of related debt | 5,778,904 | 65,617,031 | 71,395,935 |
| Restricted: | | | |
| Solid waste | 184,936 | - | 184,936 |
| Drug forfeiture | 485 | - | 485 |
| Law enforcement | 26,033 | - | 26,033 |
| PEG Channel Grant | 60,579 | - | 60,579 |
| Oakwood Cemetery Fund | 44,514 | - | 44,514 |
| Perry Cemetery Fund | 129,790 | - | 129,790 |
| Mosquito spraying | - | 90,158 | 90,158 |
| Unrestricted | 4,154,639 | 5,646,020 | 9,800,659 |
| Total net assets | \$ 10,379,880 | \$ 71,353,209 | \$ 81,733,089 |

Charter Township of Grand Blanc

| | | Program Revenues | | |
|--|----------------------|---------------------|--------------------------|---------------------|
| | | Charges for | Operating | Capital Grants |
| | Expenses | Services | Grants and Contributions | and Contributions |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,997,262 | \$ 82,762 | \$ 34,991 | \$ - |
| Public safety | 5,464,514 | 1,043,899 | 122,867 | - |
| Public works | 1,886,488 | 5,312 | 126,973 | 50,000 |
| Community and economic development | 234,370 | 81,793 | - | - |
| Recreation and culture | 282,174 | 15,600 | - | - |
| Interest on long-term debt | 24,917 | - | - | - |
| Total governmental activities | 10,889,725 | 1,229,366 | 284,831 | 50,000 |
| Business-type activities - Water and sewer | 6,720,937 | 6,569,818 | - | 3,450,976 |
| Total primary government | <u>\$ 17,610,662</u> | <u>\$ 7,799,184</u> | <u>\$ 284,831</u> | <u>\$ 3,500,976</u> |
| General revenues: | | | | |
| Property taxes | | | | |
| State-shared revenues | | | | |
| Unrestricted investment earnings | | | | |
| Unrestricted fees and other | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning of year | | | | |
| Net Assets - End of year | | | | |

Statement of Activities
Year Ended December 31, 2003

| Net (Expense) Revenue and Changes in Net | | |
|--|-----------------------------|----------------------|
| Assets | | |
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (2,879,509) | \$ - | \$ (2,879,509) |
| (4,297,748) | - | (4,297,748) |
| (1,704,203) | - | (1,704,203) |
| (152,577) | - | (152,577) |
| (266,574) | - | (266,574) |
| (24,917) | - | (24,917) |
| (9,325,528) | - | (9,325,528) |
| - | 3,299,857 | 3,299,857 |
| (9,325,528) | 3,299,857 | (6,025,671) |
| 7,077,377 | 166,286 | 7,243,663 |
| 2,889,369 | - | 2,889,369 |
| 199,823 | 100,325 | 300,148 |
| 319,563 | - | 319,563 |
| 12,731 | 42,760 | 55,491 |
| - | - | - |
| 10,498,863 | 309,371 | 10,808,234 |
| 1,173,335 | 3,609,228 | 4,782,563 |
| 9,206,545 | 67,743,981 | 76,950,526 |
| \$ 10,379,880 | \$ 71,353,209 | \$ 81,733,089 |

Charter Township of Grand Blanc

Governmental Funds Balance Sheet December 31, 2003

| | General Fund | Major Special Revenue Fund | Major Debt Service Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|---|--|--------------------------------|
| | | Solid Waste Fund | Water and Sewer Debt Service Fund | | |
| Assets | | | | | |
| Cash and cash equivalents (Note 3) | \$ 4,323,009 | \$ 691,703 | \$ 273,021 | \$ 52,048 | \$ 5,339,781 |
| Investments (Note 3) | 1,138,591 | - | - | 122,256 | 1,260,847 |
| Receivables: | | | | | |
| Taxes | 4,698,678 | - | 367,056 | - | 5,065,734 |
| Customers | - | 822,364 | - | - | 822,364 |
| Other | 43,294 | - | - | - | 43,294 |
| Due from other governmental units | 969,776 | - | - | - | 969,776 |
| Due from other funds (Note 5) | 24,779 | - | - | 2,977,304 | 3,002,083 |
| Total assets | \$ 11,198,127 | \$ 1,514,067 | \$ 640,077 | \$ 3,151,608 | \$ 16,503,879 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 175,147 | \$ 101,294 | \$ - | \$ 83,960 | \$ 360,401 |
| Accrued and other liabilities | 588,252 | - | - | - | 588,252 |
| Due to other funds (Note 5) | 2,977,304 | - | - | - | 2,977,304 |
| Due to other governmental units | 358,030 | - | - | - | 358,030 |
| Deferred revenue | 6,081,098 | 1,227,837 | 477,295 | - | 7,786,230 |
| Total liabilities | 10,179,831 | 1,329,131 | 477,295 | 83,960 | 12,070,217 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Solid waste activities | - | 184,936 | - | - | 184,936 |
| Cable TV activities | - | - | - | 60,579 | 60,579 |
| Law enforcement | - | - | - | 26,518 | 26,518 |
| Cemetery: | | | | | |
| Unexpendable | - | - | - | 105,627 | 105,627 |
| Expendable | - | - | - | 68,677 | 68,677 |
| Unreserved, reported in: | | | | | |
| General Fund | 1,018,296 | - | - | - | 1,018,296 |
| Special Revenue Funds | - | - | - | 6,624 | 6,624 |
| Debt Service Fund | - | - | 162,782 | - | 162,782 |
| Capital Projects Funds: | | | | | |
| Designated (Note 7) | - | - | - | 2,649,441 | 2,649,441 |
| Undesignated | - | - | - | 150,182 | 150,182 |
| Total fund balances | 1,018,296 | 184,936 | 162,782 | 3,067,648 | 4,433,662 |
| Total liabilities and fund balances | \$ 11,198,127 | \$ 1,514,067 | \$ 640,077 | \$ 3,151,608 | 16,503,879 |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 5,778,904 |
| Interest payable is not accrued in the funds | (2,907) |
| Investment in joint ventures are not included as an asset in the governmental funds | 1,583,877 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (1,111,552) |
| Compensated absences and are not due and payable in the current period and are not reported in the funds | (302,104) |
| Net assets of governmental activities | \$ 10,379,880 |

Charter Township of Grand Blanc

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2003

| | | Major Special Revenue Fund | Major Debt Service Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|---|--|--------------------------------|
| | General Fund | Solid Waste Fund | Water and Sewer Debt Service Fund | | |
| Revenue | | | | | |
| Property taxes (Note 8) | \$ 5,427,667 | \$ - | \$ 481,660 | \$ - | \$ 5,909,327 |
| Licenses and permits | 1,216,745 | - | - | - | 1,216,745 |
| State sources | 3,016,237 | - | - | - | 3,016,237 |
| Charges for services | - | 1,168,050 | - | - | 1,168,050 |
| Fines, forfeitures, and seizures | 126,275 | - | - | 11,214 | 137,489 |
| Investment income | 123,202 | 6,773 | 733 | 69,112 | 199,820 |
| Other | 316,098 | - | 639 | 100,594 | 417,331 |
| Total revenue | 10,226,224 | 1,174,823 | 483,032 | 180,920 | 12,064,999 |
| Expenditures | | | | | |
| General government | 2,278,345 | 90 | - | - | 2,278,435 |
| Public safety | 5,727,792 | - | - | 15,820 | 5,743,612 |
| Public services | 1,231,268 | 1,287,575 | - | - | 2,518,843 |
| Other current services | - | - | 4,599 | 161,131 | 165,730 |
| Capital outlay | - | - | - | 330,006 | 330,006 |
| Debt service: | | | | | |
| Principal | - | - | 455,188 | - | 455,188 |
| Interest and other charges | - | - | 27,630 | - | 27,630 |
| Total expenditures | 9,237,405 | 1,287,665 | 487,417 | 506,957 | 11,519,444 |
| Excess of Revenue Over (Under) Expenditures | 988,819 | (112,842) | (4,385) | (326,037) | 545,555 |
| Other Financing Sources (Uses) | | | | | |
| Transfer in from General Fund | - | - | - | 1,000,712 | 1,000,712 |
| Transfer out to Master Campus Fund | (300,712) | - | - | - | (300,712) |
| Transfer out to Capital Projects Fund | (700,000) | - | - | - | (700,000) |
| Total other financing sources (uses) | (1,000,712) | - | - | 1,000,712 | - |
| Net Change in Fund Balances | (11,893) | (112,842) | (4,385) | 674,675 | 545,555 |
| Fund Balances - Beginning of year | 1,030,189 | 297,778 | 167,167 | 2,392,973 | 3,888,107 |
| Fund Balances - End of year | \$ 1,018,296 | \$ 184,936 | \$ 162,782 | \$ 3,067,648 | \$ 4,433,662 |

Charter Township of Grand Blanc

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003

| | |
|--|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 545,555 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | 11,885 |
| Interest expense is recorded when incurred in the statement of activities | 3,396 |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 586,370 |
| Increase in accumulated employee sick, vacation, and personal pay are recorded when earned in the statement of activities | (31,903) |
| Investment in Joint Venture Fire Commission is not included in funds | <u>58,032</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 1,173,335</u> |

Charter Township of Grand Blanc

Proprietary Fund Statement of Net Assets December 31, 2003

Enterprise Fund -
Department of
Public Works

Assets

Current assets:

| | |
|------------------------------------|--------------|
| Cash and cash equivalents (Note 3) | \$ 4,262,125 |
| Investments (Note 3) | 400,241 |
| Receivables: | |
| Property taxes | 127,859 |
| Customer usage billings | 1,931,018 |
| Receivables billed on tax roll | 275,795 |
| Total current assets | 6,997,038 |

Noncurrent assets:

| | |
|--|------------|
| Tap-in assessments receivable - Net of current portion | 416,710 |
| Nondepreciable capital assets (Note 4) | 42,065 |
| Depreciable capital assets - Net (Note 4) | 65,574,966 |
| Total noncurrent assets | 66,033,741 |
| Total assets | 73,030,779 |

Liabilities

Current liabilities:

| | |
|--|-----------|
| Accounts payable | 1,496,315 |
| Due to General Fund | 24,779 |
| Accrued and other liabilities | 129,285 |
| Total current liabilities | 1,650,379 |
| Noncurrent liabilities - Compensated absences (Note 6) | 27,191 |
| Total liabilities | 1,677,570 |

Net Assets

| | |
|--|---------------|
| Invested in capital assets - Net of related debt | 65,617,031 |
| Restricted for mosquito spraying | 90,158 |
| Unrestricted | 5,646,020 |
| Total net assets | \$ 71,353,209 |

Charter Township of Grand Blanc

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets

| | Enterprise Fund - Department of Public Works Year Ended December 31 | |
|---|---|----------------------|
| | 2003 | 2002 |
| Operating Revenue | | |
| Sewage disposal | \$ 3,467,972 | \$ 3,388,824 |
| Water sales | 2,784,542 | 2,555,504 |
| Water meters | 129,032 | 212,209 |
| Penalties and other charges for services | 173,409 | 153,895 |
| Total operating revenue | 6,554,955 | 6,310,432 |
| Operating Expenses | | |
| Cost of sewage disposal | 2,123,294 | 2,147,061 |
| Cost of water | 2,054,948 | 2,128,152 |
| Depreciation (Note 4) | 942,851 | 865,290 |
| General and administrative | 1,452,076 | 1,330,145 |
| Total operating expenses | 6,573,169 | 6,470,648 |
| Operating Loss | (18,214) | (160,216) |
| Nonoperating Revenue (Expenses) | | |
| Interest income | 100,312 | 109,978 |
| Loss on sale of assets | - | (4,948) |
| Property tax revenue (Note 8) | 166,315 | 155,306 |
| Interest expense | (9,799) | (13,794) |
| Mosquito spraying | (137,969) | (106,210) |
| Total nonoperating revenues | 118,859 | 140,332 |
| Net Gain (Loss) - Before capital contributions | 100,645 | (19,884) |
| Capital Contributions | 3,508,583 | 5,263,058 |
| Change in Net Assets | 3,609,228 | 5,243,174 |
| Net Assets - Beginning of year, as restated (Note 1) | 67,743,981 | 62,500,807 |
| Net Assets - End of year | \$ 71,353,209 | \$ 67,743,981 |

Charter Township of Grand Blanc

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2003

| | Enterprise Fund - Department of Public Works |
|--|---|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 6,407,755 |
| Payments to suppliers | (4,209,834) |
| Payments to employees | (1,071,360) |
| Other receipts | 173,409 |
| Net cash provided by operating activities | 1,299,970 |
| Cash Flows from Noncapital Related Financing Activities - Collection of mosquito assessment | 166,315 |
| Cash Flows from Capital and Related Financing Activities | |
| Collection of customer assessments (principal and interest) | 1,484,697 |
| Purchase of capital assets | (1,557,095) |
| Federal grant for water main construction | 14,387 |
| Principal and interest paid on installment contracts | (150,013) |
| Net cash used in capital and related financing activities | (208,024) |
| Cash Flows from Investing Activities | |
| Interest received on investments | 100,312 |
| Purchase of investment securities | 614,021 |
| Net cash provided by investing activities | 714,333 |
| Net Increase in Cash and Cash Equivalents | 1,972,594 |
| Cash and Cash Equivalents - Beginning of year | 2,289,531 |
| Cash and Cash Equivalents - End of year | \$ 4,262,125 |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | |
| Operating loss | \$ (18,214) |
| Adjustments to reconcile operating loss to net cash from operating activities: | |
| Depreciation and amortization | 942,851 |
| Cost of mosquito spraying | (137,970) |
| Changes in assets and liabilities: | |
| Receivables | 26,209 |
| Other assets | 9,800 |
| Due from other governmental units | 10,556 |
| Accounts payable | 412,091 |
| Accrued and other liabilities | 59,276 |
| Due to/from other funds | (4,629) |
| Net cash provided by operating activities | \$ 1,299,970 |

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2003, the Department of Public Works Fund received \$2,130,490 of lines donated by developers.

Charter Township of Grand Blanc

Fiduciary Funds Statement of Net Assets December 31, 2003

| | Pension and Other Employee Benefits | |
|--|--|---------------------|
| | Trust Funds | Agency Fund |
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ 73,157 | \$ 3,542,285 |
| Investments (Note 3): | | |
| Certificate of deposits | 106,814 | - |
| Mutual funds | 1,901,153 | - |
| Limited partnerships | 37,200 | - |
| Corporate bonds | 840,097 | - |
| Government securities | 1,043,200 | - |
| Other receivables | 300,712 | - |
| | | |
| Total assets | 4,302,333 | <u>\$ 3,542,285</u> |
| Liabilities - Undistributed tax collections | <u>-</u> | <u>\$ 3,542,285</u> |
| Net Assets - Held in trust for pension and other employee benefits | <u>\$ 4,302,333</u> | |

Charter Township of Grand Blanc

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Funds Year Ended December 31, 2003

Additions

| | |
|---|----------------|
| Investment income: | |
| Interest and dividends | \$ 147,870 |
| Net increase in fair value of investments | <u>209,497</u> |
| Net investment income | 357,367 |
| Contributions - Employer | <u>476,119</u> |
| Total additions | 833,486 |

Deductions

| | |
|-------------------------|----------------|
| Benefit payments | 128,009 |
| Administrative expenses | <u>19,807</u> |
| Total deductions | <u>147,816</u> |

Net Increase 685,670

Net Assets Held in Trust for Pension and Other Employee Benefits

| | |
|-------------------|----------------------------|
| Beginning of year | <u>3,616,663</u> |
| End of year | <u><u>\$ 4,302,333</u></u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Grand Blanc (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township:

Reporting Entity

The Charter Township is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Charter Township of Grand Blanc. There are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Charter Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste Fund - The Solid Waste Fund accounts for the operations of a residential and commercial rubbish collection disposal system, primarily transportation to a privately owned and operated landfill. Funding is provided primarily through a property tax levy.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Water and Sewer Debt Service Fund - The Water and Sewer Debt Service Fund accounts for the proceeds of property taxes that are earmarked for debt service.

The Township reports the following major proprietary fund:

Department of Public Works - The Department of Public Works Fund is used to account for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports the following fund types:

Permanent Funds - The Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter Township's programs.

Pension and Other Employee Benefits Trust Fund - The Pension and Other Employee Benefits Trust Funds accounts for the activities of employee benefit plans which accumulates resources for pension and other postemployment benefit payments to qualified employees.

Agency Fund - The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Charter Township's proprietary fund relates to charges to customers for sales and services. The Department of Public Works Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. See Note 8 for more information on property tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------------------|----------------|
| Buildings and improvements | 10 to 50 years |
| Vehicles | 7 to 10 years |
| Furniture and equipment | 5 to 20 years |
| Water and sewer distribution systems | 60 to 99 years |

Compensated Absences (Vacation, Sick, and Personal Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick, vacation, and personal pay benefits. All sick, vacation, and personal pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative total data for the prior year has been presented only for individual enterprise funds and certain governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Accounting and Reporting Changes

GASB Statement No. 34 - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Charter Township of Grand Blanc has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Charter Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Charter Township's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes assets totaling approximately \$8,421,155 that would previously have been reported in the General Fixed Assets Account Group.
- The governmental activities column includes bonds and other long-term obligations totaling \$1,968,123 previously reported in the General Long-term Debt Account Group.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition - The Charter Township changed its method of accounting for state-shared revenue. Beginning in 2003, state-shared revenue collected within 60 days of the end of the current fiscal period is recognized as revenue in the current period. Previously, the Charter Township accrued state-shared revenue collected within 30 days of the end of the current fiscal period.

Correction of Prior Periods - The Charter Township restated the December 31, 2001 net assets of the Department of Public Works Fund as follows:

| | |
|---|-----------------------------|
| Net Assets - December 31, 2001 - As previously reported | |
| Reported as retained earnings | \$ 7,308,388 |
| Reported as contributed capital | 35,493,753 |
| Adjustment to account for water and sewer lines donated to the Charter Township in previous years | 20,092,064 |
| Adjustment to accrue for water and sewer units purchased | <u>(393,398)</u> |
| Net Assets - December 31, 2001 - As restated | <u><u>\$ 62,500,807</u></u> |

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

| | |
|--|----------------------------|
| Cumulative shortfall - January 1, 2003 | \$ (25,036) |
| Building permit revenue | 693,177 |
| Related expenses: | |
| Direct costs | \$ 810,059 |
| Estimated indirect costs | <u>121,509</u> |
| Total construction code expenses | <u>931,568</u> |
| Cumulative shortfall - December 31, 2003 | <u><u>\$ (263,427)</u></u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Charter Township has designated eight banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of state statutory authority as listed above. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Fund investment earnings are allocated to the General Fund as provided by Michigan law.

The Charter Township of Grand Blanc's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Business-type Activities | Total Primary Government | Fiduciary Funds |
|---------------------------|----------------------------|-----------------------------|-----------------------------|---------------------|
| Cash and cash equivalents | \$ 5,339,781 | \$ 4,262,125 | \$ 9,601,906 | \$ 3,615,442 |
| Investments | <u>1,260,847</u> | <u>400,241</u> | <u>1,661,088</u> | <u>3,928,464</u> |
| Total | <u>\$ 6,600,628</u> | <u>\$ 4,662,366</u> | <u>\$ 11,262,994</u> | <u>\$ 7,543,906</u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the Charter Township is as follows:

| | Primary Government | Fiduciary Funds |
|---|-----------------------|---------------------|
| Bank deposits (checking accounts, savings accounts, and certificates of deposit) | \$ 8,817,543 | \$ 504,211 |
| Investments in securities, mutual funds, and similar vehicles | 2,444,601 | 7,039,695 |
| Petty cash or cash on hand | 850 | - |
| Total | <u>\$ 11,262,994</u> | <u>\$ 7,543,906</u> |

Deposits

The bank balance of the Charter Township's deposits is \$6,384,542, of which \$500,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluated each financial institution with which it deposits Charter Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The pension fund investments in DaimlerChrysler North American Bonds, General Motors Acceptance Corporation Smartnotes, American High Income Trust Class A, Capital World Growth and Income Class A, and ICON Industrials Fund currently exceeds 5 percent of total plan assets.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Charter Township or its agent in the Charter Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Charter Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Charter Township's name.

At year end, the Charter Township's investment balances were categorized as follows:

| | Category | | | Reported Amount (Fair Value) |
|--|-------------|---------------------|-------------|------------------------------------|
| | 1 | 2 | 3 | |
| Primary government: | | | | |
| Common stock | \$ - | \$ 102,824 | \$ - | \$ 102,824 |
| Commercial paper | - | 1,538,833 | - | 1,538,833 |
| Subtotal | - | 1,641,657 | - | 1,641,657 |
| Investments not subject to categorization: | | | | |
| Interlocal agreement investment pool | - | - | - | 48,775 |
| Bank investment pools | - | - | - | 754,169 |
| Total primary government | <u>\$ -</u> | <u>\$ 1,641,657</u> | <u>\$ -</u> | <u>\$ 2,444,601</u> |
| Fiduciary funds: | | | | |
| Corporate bonds | \$ - | \$ 840,097 | \$ - | \$ 840,097 |
| Government securities | - | 1,043,200 | - | 1,043,200 |
| Subtotal | - | 1,883,297 | - | 1,883,297 |
| Investments not subject to categorization: | | | | |
| Bank investment pools | - | - | - | 3,218,045 |
| Mutual funds | - | - | - | 1,901,153 |
| Limited partnerships | - | - | - | 37,200 |
| Total fiduciary funds | <u>\$ -</u> | <u>\$ 1,883,297</u> | <u>\$ -</u> | <u>\$ 7,039,695</u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

Included in the Charter Township's investments at the balance sheet date are the following:

- Approximately \$1,004,000 of collateralized mortgage obligations (or obligations of the Federal National Mortgage Association). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable years.

Note 4 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows:

| | Balance January 1, 2003 | Additions | Disposals and Adjustments | Balance December 31, 2003 |
|--|-------------------------------|------------------|---------------------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 1,479,462 | \$ 960 | \$ - | \$ 1,480,422 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 4,206,917 | 40,576 | - | 4,247,493 |
| Vehicles | 979,595 | 277,485 | 256,424 | 1,000,656 |
| Furniture and equipment | <u>1,755,181</u> | <u>127,683</u> | <u>-</u> | <u>1,882,864</u> |
| Subtotal | 6,941,693 | 445,744 | 256,424 | 7,131,013 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 1,062,702 | 130,669 | - | 1,193,371 |
| Vehicles | 595,380 | 102,833 | 244,802 | 453,411 |
| Furniture and equipment | <u>996,054</u> | <u>189,695</u> | <u>-</u> | <u>1,185,749</u> |
| Subtotal | <u>2,654,136</u> | <u>423,197</u> | <u>244,802</u> | <u>2,832,531</u> |
| Net capital assets being depreciated | <u>4,287,557</u> | <u>22,547</u> | <u>11,622</u> | <u>4,298,482</u> |
| Net governmental capital assets | <u>\$ 5,767,019</u> | <u>\$ 23,507</u> | <u>\$ 11,622</u> | <u>\$ 5,778,904</u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets (Continued)

| | Balance January 1, 2003 | Additions | Disposals and Adjustments | Balance December 31, 2003 |
|--|-------------------------------|---------------------|---------------------------------|---------------------------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 42,065 | \$ - | \$ - | \$ 42,065 |
| Capital assets being depreciated: | | | | |
| Water and sewer distribution systems | 69,968,293 | 3,176,868 | - | 73,145,161 |
| Buildings and improvements | 516,453 | - | - | 516,453 |
| Vehicles | 1,307,787 | 193,289 | 36,622 | 1,464,454 |
| Furniture and equipment | 2,897,056 | 317,427 | - | 3,214,483 |
| Subtotal | 74,689,589 | 3,687,584 | 36,622 | 78,340,551 |
| Accumulated depreciation: | | | | |
| Water and sewer distribution systems | 10,310,578 | 646,968 | - | 10,957,546 |
| Buildings and improvements | 106,068 | 9,386 | - | 115,454 |
| Vehicles | 431,415 | 125,546 | 36,622 | 520,339 |
| Furniture and equipment | 1,011,296 | 160,950 | - | 1,172,246 |
| Subtotal | 11,859,357 | 942,850 | 36,622 | 12,765,585 |
| Net capital assets being depreciated | 62,830,232 | 2,744,734 | - | 65,574,966 |
| Net business-type capital assets | <u>\$ 62,872,297</u> | <u>\$ 2,744,734</u> | <u>\$ -</u> | <u>\$ 65,617,031</u> |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 209,043 |
| Public safety | 169,248 |
| Economic development | 3,747 |
| Recreation and culture | <u>41,159</u> |
| Total governmental activities | <u>\$ 423,197</u> |
| Business-type activities - Water and sewer | <u>\$ 942,851</u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets (Continued)

Construction Commitments - The Charter Township has one active construction project at year end. The project is the Presidential Street water main project. At year end, the Charter Township's commitment with contractors is as follows:

| | Spent to Date | Remaining Commitment |
|--------------------------------|---------------|-------------------------|
| Presidential Street water main | \$ 531,710 | \$ 141,829 |

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Fund Due To | Fund Due From | Amount |
|---|----------------------------|--------------|
| General Fund | Department of Public Works | \$ 24,779 |
| Nonmajor governmental fund - Capital Projects Fund | General Fund | 2,733,401 |
| Other nonmajor governmental funds | General Fund | 243,903 |
| Total nonmajor governmental funds | | 2,977,304 |
| Total | | \$ 3,002,083 |

The balance owed from the General Fund to the Capital Projects Fund represents the cumulative amount transferred from the General Fund to the Capital Projects Fund over that Fund's lifetime. The General Fund continues to hold the cash and investments so that it may continue to earn interest on these funds. The other balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

| Fund Providing Resources | Fund Receiving Resources | Amount |
|--------------------------|--------------------------|--------------|
| General Fund | Capital Projects Fund | \$ 700,000 |
| General Fund | Master Campus Fund | 300,712 |
| Total | | \$ 1,000,712 |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the Capital Projects Fund and Master Campus Fund represent transfers of unrestricted resources to finance capital projects.

Note 6 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

The special assessment obligations represent the financing of road improvements done by the Genesee County Road Commission that benefit certain districts within the Charter Township; these districts are assessed, at least in part, for the cost of the improvements. The remaining cost is split between the Road Commission and the Charter Township. The Charter Township funds its portion of the cost annually from General Fund revenues. No additional funds have been set aside for the future payment of this debt. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions (Reductions) | Ending Balance | Due Within One Year |
|---|----------------------------|---------------------------------|----------------------|---------------------------|----------------|------------------------|
| Governmental Activities | | | | | | |
| Other governmental obligations - | | | | | | |
| Special assessment at-large road districts of the | | | | | | |
| Genesee County Road Commission | | | | | | |
| Amount of issue: \$1,371,149 | 3.8% - | \$2,210 - | \$ 647,547 | \$ (121,182) | \$ 526,365 | \$ 121,182 |
| Maturing through 2010 | 6.125% | \$32,963 | | | | |
| General obligation bonds: | | | | | | |
| Genesee County Sanitary Disposal System No. 1, | | | | | | |
| of which the Charter Township of Grand Blanc | | | | | | |
| participates in 18.43% of the total project, | | | | | | |
| originally issued December 20, 1965 | | | | | | |
| Amount of issue: \$2,268,065 | 2.5% | \$110,580 | 221,160 | (110,580) | 110,580 | 110,580 |
| Maturing through 2004 | | | | | | |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions (Reductions) | Ending Balance | Due Within One Year |
|--|----------------------------|---------------------------------|----------------------|---------------------------|----------------|------------------------|
| Governmental Activities (Continued) | | | | | | |
| General obligation bonds (Continued): | | | | | | |
| Swartz Creek Interceptor of the Genesee County Sanitary Sewage Disposal System No. 1, of which the Charter Township of Grand Blanc participates in 35.69% of the total project, originally issued November 12, 1969 Amount of issue: \$2,400,000 Maturing through 2004 | | | | | | |
| | 6.00% | \$44,607 | \$ 89,215 | \$ (44,608) | \$ 44,607 | \$ 44,607 |
| Phase II of the Charter Township of Grand Blanc Lateral System of the Genesee County Sewage Disposal System No. 1, originally issued on January 4, 1973 Amount of issue: \$5,200,000 Maturing through 2004 | | | | | | |
| | 4.00% | \$300,000 | 600,000 | (300,000) | 300,000 | 300,000 |
| Installment purchase agreements - Contract issued in 2001 for the Charter Township's portion of a fire truck purchase for the Grand Blanc Fire Commission Amount of issue: \$150,000 Maturing through 2011 | | | | | | |
| | 4.99% | \$10,000 - \$20,000 | 140,000 | (10,000) | 130,000 | 10,000 |
| Other long-term obligations - Compensated absences | | | 270,201 | 31,903 | 302,104 | - |
| Total governmental activities | | | 1,968,123 | (554,467) | 1,413,656 | 586,369 |
| Business-type Activities | | | | | | |
| Installment purchase agreements : | | | | | | |
| 2001 Loader backhoe Amount of issue: \$76,175 Maturing through 2004 | | | | | | |
| | 6.46% | \$1,923 - \$2,284 | 24,522 | (24,522) | - | - |
| 2001 TV truck Amount of issue: \$193,450 Maturing through 2005 | | | | | | |
| | 7.25% | \$33,471 - \$44,286 | 115,692 | (115,692) | - | - |
| Other long-term obligations - Compensated absences | | | - | 27,191 | 27,191 | - |
| Total business-type activities | | | 140,214 | (113,023) | 27,191 | - |
| Total governmental and business- type activities | | | \$ 2,108,337 | \$ (667,490) | \$ 1,440,847 | \$ 586,369 |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

| | Governmental Activities | | |
|-----------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2004 | \$ 586,369 | \$ 40,717 | \$ 627,086 |
| 2005 | 136,182 | 25,177 | 161,359 |
| 2006 | 113,189 | 18,231 | 131,420 |
| 2007 | 110,518 | 12,668 | 123,186 |
| 2008 | 52,734 | 7,260 | 59,994 |
| 2009-2013 | <u>112,560</u> | <u>7,110</u> | <u>119,670</u> |
| Total | <u>\$ 1,111,552</u> | <u>\$ 111,163</u> | <u>\$ 1,222,715</u> |

Note 7 - Reserved and Designated Fund Balances

Fund balances have been designated as follows:

Capital Projects Fund - Designated for

| | |
|-----------------------------|---------------------|
| Technology | \$ 100,000 |
| Pathway/Trailway Plan | 300,000 |
| Vehicle replacement | 200,000 |
| 911 operations | 300,000 |
| Road improvements | 600,000 |
| Future land obligations | 775,000 |
| McGrath Park | 200,000 |
| Bicentennial Park | <u>174,941</u> |
| Total Capital Projects Fund | <u>\$ 2,649,941</u> |

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 8 - Property Tax Revenue

The Charter Township's governmental funds recognize the December 1, 2002 property tax levy as revenue for the year ended December 31, 2003. The Charter Township's Enterprise Fund recognizes the December 1, 2003 property tax levy as revenue for the fiscal year ended December 31, 2003. The following is a breakdown of tax levies:

| Source of Taxes | Fund Receiving Taxes | Approximate Revenue |
|--|--|---------------------|
| Governmental funds: | | |
| 3.6806 mills - Charter limit of 5.0 mills | General Fund | \$ 3,753,000 |
| .9253 mills - Voted millage for public service | General Fund | 943,000 |
| .30 mills - For Master Campus Project | General Fund | 306,000 |
| .4678 mills - Debt millage allowed by State constitution | Water and Sewer Debt Fund | 477,000 |
| Act 198/255 taxes and administration fees | General Fund | 450,000 |
| Act 198/255 taxes | Water and Sewer Debt Fund | 7,000 |
| Enterprise Fund: | | |
| .15 mills - Charter limit of 5.0 mills | Department of Public Works (for mosquito spraying) | 165,000 |
| Act 198/255 taxes | Department of Public Works (for mosquito spraying) | 3,000 |

A mill equals one dollar of tax per thousand dollars of property valuation (taxable valuation). The Charter Township's total taxable valuation for 2002 was approximately \$1,019,647,000 (used for governmental revenue) and for 2003 was approximately \$1,101,174,000 (used for Enterprise Fund revenue).

The police millage raised less revenue than expenditures. The water and sewer debt millage is segregated into a debt service fund type. Net assets in the Enterprise Fund have been restricted for the excess of tax revenues collected over mosquito spraying expenditures paid.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 9 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased commercial insurance for workers' compensation, medical benefits, and general liability claims and participates in the Michigan Townships Participating Plan (the "Plan") risk pool for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 10 - Defined Benefit Pension Plan

Plan Description - The Charter Township participates in the Michigan Municipal Employees' Retirement System ("the System"), an agent multiple-employer defined benefit pension plan that covers all employees of the Fraternal Order of Police. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Police Officers Labor Council Patrol Officers Union. The agreement requires a contribution from the employees of any actuarially required contributions in excess of 15 percent prior to 1997 and 14 percent after January 1, 1997. Currently, this results in an employee contribution ranging from 0 percent to 8.11 percent of gross wages.

Annual Pension Costs - For the year ended December 31, 2003, the Charter Township's annual pension cost of \$369,963 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal cost method.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 10 - Defined Benefit Pension Plan (Continued)

Significant actuarial assumptions used include: (a) an 8 percent investment rate of return; (b) projected salary increases of 4.5 percent to 8.66 percent per year; and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 31 years.

Three-year trend information is as follows:

| | Fiscal Year Ended December 31 | | |
|---|---------------------------------------|--------------|--------------|
| | 2001 | 2002 | 2003 |
| Annual pension costs (APC) | \$ 197,362 | \$ 274,812 | \$ 369,963 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | None | None | None |
| | | | |
| | Actuarial Valuation as of December 31 | | |
| | 2000 | 2001 | 2002 |
| Actuarial value of assets | \$ 1,675,798 | \$ 1,894,710 | \$ 2,195,050 |
| Actuarial Accrued Liability (AAL) | | | |
| (entry age normal) | \$ 4,093,666 | \$ 5,104,536 | \$ 5,411,309 |
| Unfunded AAL (UAAL) | \$ 2,417,868 | \$ 3,209,826 | \$ 3,216,259 |
| Funded ratio | 40.9% | 37.1% | 40.6% |
| Covered payroll | \$ 1,299,417 | \$ 1,615,171 | \$ 1,948,189 |
| UAAL as a percentage of covered payroll | 186% | 199% | 165% |

Note 11 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all of its full-time employees (except police officers, who are covered by a defined benefit plan effective January 1, 1993) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by the Charter Township Board of Trustees, the Charter Township contributes 15 percent of employees' gross earnings and employees are not permitted to make contributions other than participant rollover contributions. In accordance with these requirements, the Charter Township contributed \$276,119 during the current year, and there was no employee contribution.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 12 - Joint Ventures

The Charter Township is a member of the Grand Blanc District Library Commission, which provides library services to the residents of the Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the Charter Township contributed \$54,500 for its operations. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc District Library Commission can be obtained from the administrative offices at 4195 West Pasadena, Flint, MI 48504.

The Charter Township is a member of the Grand Blanc Parks and Recreation Commission, which provides recreational services to the residents of the Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the Charter Township contributed \$211,352 for its operations. The Charter Township's equity interest of \$124,351 is recorded within the governmental activities column of the statement of net assets. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc Parks and Recreation Commission can be obtained from the administrative offices at 131 East Grand Blanc Road, Grand Blanc, MI 48439.

The Charter Township is a member of the Grand Blanc Fire Commission, which provides fire protection services to the residents of the Charter Township and the City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the Charter Township contributed \$512,644 for its operations. The Charter Township's equity of \$1,459,526 is recorded within the governmental activities column of the statement of net assets. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc Fire Commission can be obtained from the administrative offices at 117 High Street, Grand Blanc, MI 48439.

Note 13 - Contingent Liabilities

The Charter Township is currently in arbitration over the police force contract. A new contract was settled and retroactive wages were paid in December 2001. However, the police force is seeking an additional retroactive wage adjustment relating to the base hours worked during the period prior to the settlement of the new contract. The estimated potential liability to the Charter Township is approximately \$300,000.

Charter Township of Grand Blanc

Notes to Financial Statements December 31, 2003

Note 13 - Contingent Liabilities (Continued)

Lawsuits

The Charter Township has been named as a defendant in multiple claims and lawsuits requesting damages of various amounts. The various proceedings have not yet progressed to the point where legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The Charter Township has not recorded an estimate of this liability at December 31, 2003.

Note 14 - Other Postemployment Benefits

The Charter Township provides health care benefits to employees with 20 years of service and who have attained the age of 55 (25 years of service for sworn police officers) upon retirement, in accordance with labor contracts. Currently, 11 retirees are eligible. The Charter Township includes retirees and their dependants in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$127,500.

Required Supplemental Information

General Fund

The General Fund contains the records of the ordinary activities of the Charter Township that are not accounted for in another fund. General Fund activities are funded by revenues from state-shared revenues, general property taxes, and other sources. The schedules comparing revenues and expenditures - budgetary comparison schedule - compare the activity final amended budgets (the level on which expenditures may not legally exceed appropriations) to actual revenues and expenditures.

Charter Township of Grand Blanc

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

| | Prior Year Actual | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-----------------------------------|----------------------|--------------------|-------------------|---------------|------------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 4,643,343 | \$ 5,415,890 | \$ 5,415,890 | \$ 5,427,667 | \$ 11,777 |
| Licenses and permits: | | | | | |
| Building permits | 519,154 | 666,622 | 666,622 | 445,504 | (221,118) |
| Inspection fees | 414,843 | 342,700 | 342,700 | 333,723 | (8,977) |
| Cable television franchise fee | 360,812 | 295,000 | 295,000 | 319,563 | 24,563 |
| Zoning fees | 104,360 | 84,091 | 84,091 | 89,178 | 5,087 |
| Other | 13,368 | 11,000 | 11,000 | 28,777 | 17,777 |
| Total licenses and permits | 1,412,537 | 1,399,413 | 1,399,413 | 1,216,745 | (182,668) |
| Federal sources - Police grants | - | 16,000 | 16,000 | - | (16,000) |
| State sources: | | | | | |
| Revenue sharing | 2,684,158 | 2,440,000 | 2,440,000 | 2,889,369 | 449,369 |
| Police grants | 60,571 | 90,100 | 90,100 | 111,653 | 21,553 |
| Liquor license fees | 15,600 | 11,000 | 11,000 | 15,215 | 4,215 |
| Total state sources | 2,760,329 | 2,541,100 | 2,541,100 | 3,016,237 | 475,137 |
| District Court fines | 112,715 | 95,000 | 95,000 | 126,275 | 31,275 |
| Interest | 176,084 | 244,050 | 244,050 | 123,202 | (120,848) |
| Other revenues: | | | | | |
| Special assessments | 116,004 | 105,000 | 105,000 | 126,973 | 21,973 |
| Other | 29,282 | 18,100 | 18,100 | 61,424 | 43,324 |
| Refunds and rebates: | | | | | |
| Police | 85,800 | 35,000 | 35,000 | 79,502 | 44,502 |
| School summer tax collection fees | 44,198 | 34,000 | 34,000 | 48,199 | 14,199 |
| Total other revenues | 275,284 | 192,100 | 192,100 | 316,098 | 123,998 |
| Total revenues | 9,380,292 | 9,903,553 | 9,903,553 | 10,226,224 | 322,671 |

Charter Township of Grand Blanc

Required Supplemental Information (Continued) Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

| | Prior Year Actual | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|----------------------|---------------------|---------------------|---------------------|------------------------------------|
| Expenditures | | | | | |
| General government: | | | | | |
| General office | \$ 648,769 | \$ 741,929 | \$ 741,929 | \$ 656,787 | \$ 85,142 |
| Legislative | 199,933 | 340,870 | 340,870 | 279,968 | 60,902 |
| Supervisor's office | 125,056 | 142,301 | 142,301 | 124,784 | 17,517 |
| Clerk's office | 219,267 | 230,758 | 230,758 | 256,339 | (25,581) |
| Treasurer's office | 173,623 | 241,748 | 219,360 | 216,102 | 3,258 |
| Elections | 21,850 | 28,721 | 28,721 | 3,878 | 24,843 |
| Assessor's office | 342,854 | 334,592 | 373,092 | 379,819 | (6,727) |
| Building and grounds | 133,964 | 154,034 | 154,034 | 161,139 | (7,105) |
| Legal and attorney | 148,496 | 196,000 | 196,000 | 199,529 | (3,529) |
| Total general government | 2,013,812 | 2,410,953 | 2,427,065 | 2,278,345 | 148,720 |
| Public safety: | | | | | |
| Police | 3,790,504 | 4,388,132 | 4,388,132 | 4,175,542 | 212,590 |
| Fire | 501,210 | 512,655 | 512,655 | 512,644 | 11 |
| Building and zoning | 1,064,791 | 989,338 | 1,021,726 | 1,039,606 | (17,880) |
| Total public safety | 5,356,505 | 5,890,125 | 5,922,513 | 5,727,792 | 194,721 |
| Public services | 887,524 | 1,371,252 | 1,416,252 | 1,231,268 | 184,984 |
| Total expenditures | 8,257,841 | 9,672,330 | 9,765,830 | 9,237,405 | 528,425 |
| Excess of Revenues Over Expenditures | 1,122,451 | 231,223 | 137,723 | 988,819 | 851,096 |
| Other Financing Uses | | | | | |
| Transfer to Capital Projects Fund | (900,000) | (231,223) | (137,723) | (700,000) | (562,277) |
| Transfer to Master Campus Fund | - | - | - | (300,712) | (300,712) |
| Transfer to Special Revenue Funds | (200,000) | - | - | - | - |
| Excess of Revenues Over (Under) Expenditures and Other Financing Uses | 22,451 | - | - | (11,893) | (11,893) |
| Fund Balance - Beginning of year | 1,007,738 | 1,030,189 | 1,030,189 | 1,030,189 | - |
| Fund Balance - End of year | <u>\$ 1,030,189</u> | <u>\$ 1,030,189</u> | <u>\$ 1,030,189</u> | <u>\$ 1,018,296</u> | <u>\$ (11,893)</u> |

Major Special Revenue Fund

The Solid Waste Fund is a Special Revenue Fund. Special Revenue Funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. This fund accounts for the operations of a residential and commercial rubbish collection and disposal system, primarily transportation to a privately-owned and operated landfill.

Charter Township of Grand Blanc

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended December 31, 2003

| | Solid Waste Fund | | | | Variance with |
|---|----------------------|--------------------|-------------------|---------------------|--------------------|
| | Prior Year Actual | Original Budget | Amended Budget | Actual | Amended Budget |
| Revenues | | | | | |
| Solid waste collection charges | \$ 1,098,336 | \$ 1,164,500 | \$ 1,168,049 | \$ 1,168,050 | \$ 1 |
| Interest | 12,395 | 12,000 | 5,900 | 6,773 | 873 |
| Total revenues | 1,110,731 | 1,176,500 | 1,173,949 | 1,174,823 | 874 |
| Expenditures | | | | | |
| Public services - Solid waste collection | 1,126,764 | 1,210,500 | 1,210,500 | 1,287,575 | (77,075) |
| Other operating expenses | 44 | 200 | 200 | 90 | 110 |
| Total expenditures | 1,126,808 | 1,210,700 | 1,210,700 | 1,287,665 | (76,965) |
| Excess of Expenditures Over Revenues | (16,077) | (34,200) | (36,751) | (112,842) | (76,091) |
| Fund Balances - Beginning of year | 313,855 | 297,778 | 297,778 | 297,778 | - |
| Fund Balance - End of year | \$ 297,778 | \$ 263,578 | \$ 261,027 | \$ 184,936 | \$ (76,091) |

Charter Township of Grand Blanc

Note to Required Supplemental Information December 31, 2003

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as an "other financing source." All annual appropriations lapse at fiscal year end.

The Charter Township adopts a formal budget for the General Fund and Special Revenue Funds. By August 1 of each year, all department heads submit spending requests to the Charter Township supervisor so that a budget may be prepared. Before September 1, the proposed budget is submitted to the Charter Township Board for review. Public hearings are held, and the final budget is adopted no later than November 1. The Charter Township must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. Appropriations are adopted by the Charter Township Board on a departmental basis; this is the legal level of budgetary control. Expenditures at the departmental level in excess of budget appropriations are a violation of Michigan law. During the year, the budget was amended in a legally permissible manner. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at December 31, 2003 is not significant. Unexpended appropriations lapse at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Grand Blanc incurred significant expenditures that were in excess of the amounts budgeted, as follows:

| | Amended Budget | Actual | Variance |
|---|-------------------|--------------|-------------|
| Solid Waste Fund - Solid waste collection | \$ 1,210,500 | \$ 1,287,575 | \$ (77,075) |

Other Supplemental Information

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. A description of the Special Revenue Funds included as nonmajor governmental funds is as follows:

Drug Forfeiture Fund - This fund accounts for monies received from the Federal Drug Enforcement Agency for law enforcement purposes and for state funds related to drug enforcement purposes. These monies are to be used to supplement existing law and drug enforcement funds in the law enforcement field.

Law Enforcement Fund - This fund accounts for monies received as a result of gambling raids. These funds are to be used for law enforcement enhancement.

Bicentennial Park Fund - This fund accounts for monies received from Trinity Wireless for the use of land within Bicentennial Park for a cellular tower. These funds are to be used for Bicentennial Park improvements.

PEG Channel Grant Fund - This fund accounts for monies collected by the Charter Township for the operation of public, educational, and government channels (PEG).

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition of capital facilities other than those financed by the operations of an Enterprise Fund. A description of the Capital Projects Funds included as nonmajor governmental funds is as follows:

Capital Projects Fund - This fund is used to account for earmarked revenue set aside for public improvements of a major nature. Revenue sources to date have come solely from General Fund operating transfers.

Master Campus Project - This fund is used to account for property taxes set aside for all costs associated with the development and construction of a Charter Township master campus.

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for Charter Township programs. A description of the Permanent Funds included as nonmajor governmental funds is as follows:

Oakwood Cemetery Fund - This fund is used to account for Oakwood Cemetery deposits.

Perry Cemetery Fund - This fund is used to account for Perry Cemetery deposits.

Charter Township of Grand Blanc

| Special Revenue Funds | | | | |
|---------------------------------------|--------------------|--------------------|----------------------|----------------------|
| | Drug Forfeiture | Law Enforcement | Bicentennial Park | PEG Channel Grant |
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - |
| Due from other funds | 485 | 26,033 | 6,624 | 60,579 |
| Total assets | <u>\$ 485</u> | <u>\$ 26,033</u> | <u>\$ 6,624</u> | <u>\$ 60,579</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities - Accounts payable | \$ - | \$ - | \$ - | - |
| Fund Balances | | | | |
| Reserved: | | | | |
| Cable TV activities | - | - | - | 60,579 |
| Law enforcement | 485 | 26,033 | - | - |
| Cemetery - Unexpendable | - | - | - | - |
| Cemetery - Expendable | - | - | - | - |
| Unreserved - Designated | - | - | - | - |
| Unreserved - Undesignated | - | - | 6,624 | - |
| Total fund balances | <u>485</u> | <u>26,033</u> | <u>6,624</u> | <u>60,579</u> |
| Total liabilities and fund balances | <u>\$ 485</u> | <u>\$ 26,033</u> | <u>\$ 6,624</u> | <u>\$ 60,579</u> |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

| Capital Projects Funds | | Permanent Funds | | Total |
|-----------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------------|
| Capital Projects Fund | Master Campus Project | Oakwood Cemetery Fund | Perry Cemetery Fund | Nonmajor Governmental Funds |
| \$ - | \$ - | \$ 9,213 | \$ 42,835 | \$ 52,048 |
| - | - | 35,301 | 86,955 | 122,256 |
| 2,733,401 | 150,182 | - | - | 2,977,304 |
| <u>\$ 2,733,401</u> | <u>\$ 150,182</u> | <u>\$ 44,514</u> | <u>\$ 129,790</u> | <u>\$ 3,151,608</u> |
| | | | | |
| \$ 83,960 | \$ - | \$ - | \$ - | \$ 83,960 |
| | | | | |
| - | - | - | - | 60,579 |
| - | - | - | - | 26,518 |
| - | - | 16,667 | 88,960 | 105,627 |
| - | - | 27,847 | 40,830 | 68,677 |
| 2,649,441 | - | - | - | 2,649,441 |
| - | 150,182 | - | - | 156,806 |
| 2,649,441 | 150,182 | 44,514 | 129,790 | 3,067,648 |
| <u>\$ 2,733,401</u> | <u>\$ 150,182</u> | <u>\$ 44,514</u> | <u>\$ 129,790</u> | <u>\$ 3,151,608</u> |

Charter Township of Grand Blanc

| | Special Revenue Funds | | | |
|--|-----------------------|--------------------|----------------------|----------------------|
| | Drug Forfeiture | Law Enforcement | Bicentennial Park | PEG Channel Grant |
| Revenue | | | | |
| Forfeitures and seizures | \$ 7,214 | \$ 4,000 | \$ - | \$ - |
| Investment income | - | - | - | - |
| Other | - | - | 15,600 | 34,991 |
| Total revenue | 7,214 | 4,000 | 15,600 | 34,991 |
| Expenditures | | | | |
| Public safety | 12,005 | 3,815 | - | - |
| Capital outlay | - | - | 4,300 | - |
| Other | - | - | 6,440 | - |
| Total expenditures | 12,005 | 3,815 | 10,740 | - |
| Excess of Revenue Over (Under) Expenditures | (4,791) | 185 | 4,860 | 34,991 |
| Other Financing Sources - Transfer from other funds | - | - | - | - |
| Net Change in Fund Balances | (4,791) | 185 | 4,860 | 34,991 |
| Fund Balances - Beginning of year | 5,276 | 25,848 | 1,764 | 25,588 |
| Fund Balances - End of year | <u>\$ 485</u> | <u>\$ 26,033</u> | <u>\$ 6,624</u> | <u>\$ 60,579</u> |

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2003

| Capital Projects Funds | | Permanent Funds | | |
|--------------------------|-----------------------------|-----------------------------|---------------------------|---|
| Capital Projects Fund | Master Campus Project | Oakwood Cemetery Fund | Perry Cemetery Fund | Total Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ 11,214 |
| - | 3,510 | 6,411 | 59,191 | 69,112 |
| 50,000 | - | - | 3 | 100,594 |
| 50,000 | 3,510 | 6,411 | 59,194 | 180,920 |
| - | - | - | - | 15,820 |
| 325,706 | - | - | - | 330,006 |
| - | 154,040 | - | 651 | 161,131 |
| 325,706 | 154,040 | - | 651 | 506,957 |
| (275,706) | (150,530) | 6,411 | 58,543 | (326,037) |
| 700,000 | 300,712 | - | - | 1,000,712 |
| 424,294 | 150,182 | 6,411 | 58,543 | 674,675 |
| 2,225,147 | - | 38,103 | 71,247 | 2,392,973 |
| \$ 2,649,441 | \$ 150,182 | \$ 44,514 | \$ 129,790 | \$ 3,067,648 |

Charter Township of Grand Blanc

Other Supplemental Information Budgetary Comparison Schedule Nonmajor Governmental Funds Year Ended December 31, 2003

| | Drug Forfeiture Fund | | | Variance with |
|---|------------------------|--------------------|----------------------|----------------------|
| | Prior Year Actual | Amended Budget | Actual | Amended Budget |
| Revenues - Forfeitures and seizures | \$ 6,049 | \$ 4,000 | \$ 7,214 | \$ 3,214 |
| Expenditures - Public safety | <u>10,349</u> | <u>9,276</u> | <u>12,005</u> | <u>(2,729)</u> |
| Excess of Expenditures Over Revenues | (4,300) | (5,276) | (4,791) | 485 |
| Fund Balance - Beginning of year | <u>9,576</u> | <u>5,276</u> | <u>5,276</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 5,276</u> | <u>\$ -</u> | <u>\$ 485</u> | <u>\$ 485</u> |

Charter Township of Grand Blanc

Other Supplemental Information Budgetary Comparison Schedule Nonmajor Governmental Funds (Continued) Year Ended December 31, 2003

| | Law Enforcement Fund | | | Variance with Amended Budget |
|---|-------------------------|-------------------------|-------------------------|---------------------------------------|
| | Prior Year Actual | Amended Budget | Actual | |
| Revenues - Forfeitures and seizures | \$ 34,260 | \$ 10,000 | \$ 4,000 | \$ (6,000) |
| Expenditures - Public safety | <u>17,121</u> | <u>25,000</u> | <u>3,815</u> | <u>21,185</u> |
| Excess of Revenues Over (Under) Expenditures | 17,139 | (15,000) | 185 | 15,185 |
| Fund Balance - Beginning of year | <u>8,709</u> | <u>25,848</u> | <u>25,848</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 25,848</u> | <u>\$ 10,848</u> | <u>\$ 26,033</u> | <u>\$ 15,185</u> |

Charter Township of Grand Blanc

Other Supplemental Information Budgetary Comparison Schedule Nonmajor Governmental Funds (Continued) Year Ended December 31, 2003

| | Bicentennial Park Fund | | | Variance with Amended Budget |
|---|------------------------|--------------------|------------------------|---------------------------------------|
| | Prior Year Actual | Amended Budget | Actual | |
| Revenues - Rental income | \$ 14,400 | \$ 14,400 | \$ 15,600 | \$ 1,200 |
| Expenditures | | | | |
| Capital outlay | 22,537 | 14,400 | 4,300 | 10,100 |
| Other | <u>3,600</u> | <u>1,763</u> | <u>6,440</u> | <u>(4,677)</u> |
| Total expenditures | <u>26,137</u> | <u>16,163</u> | <u>10,740</u> | <u>5,423</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | (11,737) | (1,763) | 4,860 | 6,623 |
| Fund Balance - Beginning of year | <u>13,501</u> | <u>1,764</u> | <u>1,764</u> | - |
| Fund Balance - End of year | <u>\$ 1,764</u> | <u>\$ 1</u> | <u>\$ 6,624</u> | <u>\$ 6,623</u> |

Charter Township of Grand Blanc

Other Supplemental Information Budgetary Comparison Schedule Nonmajor Governmental Funds (Continued) Year Ended December 31, 2003

| | PEG Channel Grant | | | Variance with Amended Budget |
|---|----------------------|-------------------|------------------|---------------------------------------|
| | Prior Year Actual | Amended Budget | Actual | |
| Revenues - PEG contributions | \$ 25,588 | \$ 34,991 | \$ 34,991 | \$ - |
| Expenditures - Other | - | 60,579 | - | 60,579 |
| Excess of Revenues Over (Under) Expenditures | 25,588 | (25,588) | 34,991 | 60,579 |
| Fund Balance - Beginning of year | - | 25,588 | 25,588 | - |
| Fund Balance - End of year | \$ 25,588 | \$ - | \$ 60,579 | \$ 60,579 |

Fiduciary Funds

A description of the Fiduciary Funds maintained by the Charter Township is as follows:

Pension Trust Fund - This fund accounts for employer and employee contributions to the Charter Township's defined contribution pension plan.

Employee Benefits Fund - This fund accounts for anticipated future costs of existing employee benefit programs.

Charter Township of Grand Blanc

Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Trust Funds December 31, 2003

| | Pension Trust | Employee Benefits | Totals |
|--|---------------------|----------------------|---------------------|
| Assets | | | |
| Cash and equivalents | \$ 73,157 | \$ - | \$ 73,157 |
| Investments: | | | |
| Certificate of deposits | 106,814 | - | 106,814 |
| Mutual funds | 1,901,153 | - | 1,901,153 |
| Limited partnerships | 37,200 | - | 37,200 |
| Corporate bonds | 840,097 | - | 840,097 |
| Government securities | - | 1,043,200 | 1,043,200 |
| Other receivables | 76,075 | 224,637 | 300,712 |
| Net Assets - Reserved for pension and other employee benefits | \$ 3,034,496 | \$ 1,267,837 | \$ 4,302,333 |

Charter Township of Grand Blanc

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended December 31, 2003

| | Pension Trust | Employee Benefits | Totals |
|---|---------------------|----------------------|---------------------|
| Additions | | | |
| Investment income: | | | |
| Interest and dividends | \$ 129,041 | \$ 18,829 | \$ 147,870 |
| Net increase in fair value of investments | 209,497 | - | 209,497 |
| Net investment income | 338,538 | 18,829 | 357,367 |
| Contributions - Employer | 276,119 | 200,000 | 476,119 |
| Total additions | 614,657 | 218,829 | 833,486 |
| Deductions | | | |
| Benefit payments | 128,009 | - | 128,009 |
| Administrative expenses | 19,807 | - | 19,807 |
| Total deductions | 147,816 | - | 147,816 |
| Net Increase | 466,841 | 218,829 | 685,670 |
| Net Assets Held in Trust for Pension and Other Employee Benefits | | | |
| Beginning of year | 2,567,655 | 1,049,008 | 3,616,663 |
| End of year | <u>\$ 3,034,496</u> | <u>\$ 1,267,837</u> | <u>\$ 4,302,333</u> |

Charter Township of Grand Blanc

Fiduciary Funds Statement of Changes in Assets and Liabilities - Agency Fund Year Ended December 31, 2003

| | Balance January 1, 2003 | Additions | Deductions | Balance December 31, 2003 |
|--|-------------------------------|----------------------|----------------------|---------------------------------|
| Assets - Cash and cash equivalents | <u>\$ 6,598,200</u> | <u>\$ 43,983,765</u> | <u>\$ 47,039,680</u> | <u>\$ 3,542,285</u> |
| Liabilities - Undistributed tax collections | <u>\$ 6,598,200</u> | <u>\$ 43,983,765</u> | <u>\$ 47,039,680</u> | <u>\$ 3,542,285</u> |

Statistical Section

Charter Township of Grand Blanc

General Governmental Expenditures by Function

Last Ten Fiscal Years

(amounts expressed in thousands)

| Year | General Government | Public Safety | Public Services | Debt Service | Capital Outlay | Other |
|--------|-----------------------|------------------|--------------------|-----------------|-------------------|--------|
| 1994 | \$ 1,105 | \$ 2,834 | \$ 1,294 | \$ 1,729 | \$ 17 | \$ 547 |
| 1995 | 1,172 | 2,740 | 1,497 | 1,762 | 480 | 110 |
| 1996 | 1,117 | 2,807 | 1,652 | 1,755 | 1,107 | 6 |
| 1997 | 1,267 | 3,167 | 1,715 | 1,727 | 16 | 6 |
| 1998 | 1,304 | 3,276 | 2,134 | 1,681 | 2,109 | 6 |
| 1999 | 1,670 | 3,792 | 2,045 | 1,537 | 545 | 6 |
| 2000 | 1,719 | 4,006 | 1,885 | 1,496 | 518 | 6 |
| 2001 | 1,719 | 4,613 | 1,747 | 1,268 | 235 | 5 |
| 2002 | 2,014 | 5,384 | 2,014 | 1,201 | 1,101 | 5 |
| * 2003 | 2,278 | 5,744 | 2,519 | 483 | 330 | 165 |

General Governmental Revenues by Source

Last Ten Fiscal Years

(amounts expressed in thousands)

| Year | Property Taxes | Licenses and Permits | State Sources | Charges for Services | Interest | Other |
|--------|-------------------|-------------------------|------------------|-------------------------|----------|--------|
| 1994 | \$ 3,945 | \$ 732 | \$ 1,830 | \$ 872 | \$ 206 | \$ 271 |
| 1995 | 3,984 | 338 | 1,918 | 915 | 321 | 416 |
| 1996 | 4,041 | 549 | 2,178 | 960 | 301 | 255 |
| 1997 | 4,115 | 489 | 2,056 | 960 | 282 | 398 |
| 1998 | 4,470 | 864 | 2,177 | 898 | 337 | 612 |
| 1999 | 4,723 | 987 | 2,358 | 974 | 309 | 577 |
| 2000 | 5,008 | 907 | 2,482 | 1,070 | 414 | 411 |
| 2001 | 5,047 | 1,285 | 2,916 | 1,113 | 414 | 376 |
| 2002 | 5,433 | 1,413 | 2,760 | 1,098 | 203 | 474 |
| * 2003 | 5,909 | 1,217 | 3,016 | 1,168 | 200 | 555 |

* 2003 reflects the effects of implementing GASB Statement No. 34. Prior to 2003, the Employee Benefits Fund was reported as a governmental fund and the Perry Cemetery and Oakwood Cemetery Funds were reported as Fiduciary Funds. Beginning in 2003, the Employee Benefits Fund is reported as a Fiduciary Fund and the Cemetery Funds are reported as Special Revenue Funds.

Charter Township of Grand Blanc

| Tax Year* | Total Levy | Current Collections | Percent Collected |
|--------------|--------------|------------------------|----------------------|
| 1993 | \$ 3,604,428 | \$ 3,377,642 | 93.71 |
| 1994 | 3,715,355 | 3,541,106 | 95.31 |
| 1995 | 3,803,726 | 3,616,312 | 95.07 |
| 1996 | 3,900,102 | 3,704,012 | 94.97 |
| 1997 | 4,181,877 | 3,908,970 | 93.47 |
| 1998 | 4,392,004 | 4,117,227 | 93.74 |
| 1999 | 4,698,371 | 4,425,947 | 94.20 |
| 2000 | 4,717,231 | 4,463,157 | 94.61 |
| 2001 | 5,088,582 | 4,820,983 | 94.74 |
| 2002 | 5,631,935 | 5,308,723 | 94.26 |

Property Values and Millage Rates

| Property Values** | | | |
|-------------------|---------------------------|------------------|-------|
| Tax Year | Estimated Actual Value | Taxable Value*** | Ratio |
| 1994 | \$ 1,059,269,400 | \$ 529,634,700 | 50.00 |
| 1995 | 1,128,754,800 | 555,871,403 | 49.25 |
| 1996 | 1,309,483,800 | 620,667,850 | 47.40 |
| 1997 | 1,449,714,800 | 683,208,361 | 47.13 |
| 1998 | 1,633,083,000 | 747,902,145 | 45.80 |
| 1999 | 1,801,398,800 | 816,439,688 | 45.32 |
| 2000 | 1,837,971,400 | 871,269,165 | 47.40 |
| 2001 | 2,046,331,800 | 954,764,747 | 46.66 |
| 2002 | 2,287,789,000 | 1,051,049,801 | 45.94 |
| 2003 | 2,553,378,000 | 1,134,557,982 | 44.43 |

* Tax year falls one year prior to the fiscal year in which the taxes are budgeted. For example, the 1996 taxes become revenue of the fiscal year ended December 31, 1997.

** Property values include Act 198 abated properties, stated at 50 percent of assessed value.

*** Taxable values prior to 1995 were assessed at 50 percent of true cash value. Beginning with the 1995 assessments, the growth in taxable value of each parcel of property is limited by the lesser of inflation or 5 percent.

Property Tax Data
Township Property Tax Levies and Collections
Last Ten Fiscal Years

| Delinquent Collections | Total Collections | Percent of Levy | Delinquent Taxes | Percent of Levy |
|---------------------------|-------------------|--------------------|------------------|--------------------|
| \$ 219,654 | \$ 3,597,296 | 99.80 | \$ 7,132 | 0.20 |
| 173,464 | 3,714,570 | 99.98 | 785 | 0.02 |
| 185,495 | 3,801,807 | 99.95 | 1,919 | 0.05 |
| 179,482 | 3,883,494 | 99.57 | 16,608 | 0.03 |
| 255,662 | 4,164,632 | 99.59 | 17,245 | 0.41 |
| 274,140 | 4,391,367 | 99.99 | 637 | 0.01 |
| 249,734 | 4,675,681 | 99.52 | 22,690 | 0.48 |
| 245,783 | 4,708,940 | 99.82 | 8,291 | 0.18 |
| 263,741 | 5,084,724 | 99.92 | 3,858 | 0.08 |
| 286,174 | 5,594,897 | 99.34 | 37,038 | 0.66 |

Property Values and Millage Rates

| Millage Rates | | | | |
|---------------|--------|-----------|--------------|-----------------|
| School | | | | |
| Township | County | Homestead | Nonhomestead | Total Homestead |
| 7.0175 | 7.7618 | 12.4777 | 30.4777 | 27.2570 |
| 6.8458 | 7.7618 | 12.4777 | 30.4777 | 27.0853 |
| 6.4576 | 8.1618 | 12.7277 | 30.7277 | 27.3471 |
| 6.4275 | 8.2618 | 12.4777 | 30.4777 | 27.1670 |
| 6.2387 | 8.2618 | 14.2777 | 32.2777 | 28.7782 |
| 6.0692 | 8.2345 | 14.2513 | 32.1307 | 28.5550 |
| 5.6986 | 8.2271 | 14.2588 | 32.0899 | 28.1845 |
| 5.5737 | 8.2187 | 15.2430 | 33.2430 | 29.0354 |
| 5.5237 | 8.1831 | 15.1825 | 32.9305 | 28.8893 |
| 5.4618 | 8.1373 | 14.0714 | 31.7058 | 27.6705 |

Charter Township of Grand Blanc

Property Tax Data (Continued) Principal Taxpayers Last Ten Fiscal Years

| Principal Taxpayers | Type of Business | 2003 Taxable Value | Percent of Total |
|--------------------------|---------------------------|------------------------------|---------------------|
| General Motors | Auto manufacturing | \$ 65,430,998 | 5.77 |
| VEMCO | Auto manufacturing | 20,205,286 | 1.78 |
| Consumers Energy | Utilities | 19,430,245 | 1.71 |
| Edward Rose Assoc. | Apartments | 14,570,198 | 1.28 |
| Ring Screw Works | Manufacturing | 13,551,764 | 1.19 |
| Auker | Real estate | 10,917,138 | 0.96 |
| Genesys Medsports | Health/Fitness/Conference | 10,714,101 | 0.94 |
| Knollwood Village Assoc. | Apartments | 9,533,000 | 0.84 |
| Grand Blanc Processing | Manufacturing | 6,398,816 | 0.56 |
| PM Maple Limited | Apartments | 5,605,600 | 0.49 |
| Total | | <u><u>\$ 176,357,146</u></u> | |

Charter Township of Grand Blanc

Computation of Legal Debt Margin December 31, 2003

| | | |
|--|----|-----------------------------|
| Taxable value subject to property tax | \$ | 1,101,173,626 |
| Taxable value subject to Act 198 Industrial Facilities Tax | | <u>33,384,356</u> |
| Total taxable value | \$ | <u><u>1,134,557,982</u></u> |
| Legal debt margin - 10% | \$ | 113,455,798 |
| Debt applicable to limitation: | | |
| Total governmental activities debt | \$ | 1,413,656 |
| Less special assessment debt | | (526,365) |
| Less county contractual obligations | | (455,187) |
| Less employee-compensated absences | | <u>(302,104)</u> |
| Total debt applicable to limitation | | <u>130,000</u> |
| Legal debt margin | \$ | <u><u>113,325,798</u></u> |

Computation of Direct and Overlapping Debt

| | Debt Outstanding | Percent Applicable to Charter Township | Amount Applicable to Charter Township |
|--|------------------------------|---|--|
| Direct - Charter Township of Grand Blanc | \$ 1,111,552 | 100.00 | \$ 1,111,552 |
| Overlapping: | | | |
| Genesee County | 45,952,772 | 11.47 | 5,270,783 |
| Grand Blanc School District | 105,180,000 | 73.48 | 77,286,264 |
| Goodrich School District | 43,150,299 | 8.29 | 3,577,160 |
| Lake Fenton School District | 30,090,000 | 2.62 | 788,358 |
| Mott Community College | <u>53,065,000</u> | 10.93 | <u>5,800,005</u> |
| Total | <u><u>\$ 278,549,623</u></u> | | <u><u>\$ 93,834,122</u></u> |

Charter Township of Grand Blanc

Ratio of Debt to Taxable Value and Debt per Capita December 31, 2002 (amounts in thousands)

| Year | Governmental Long-term Debt* | Less Debt Service Fund | Net Debt | Taxable Value | Ratio of Net Debt to Taxable Value | Population | Net Debt per Capita |
|------|------------------------------------|---------------------------|-----------|---------------|--|------------|------------------------|
| 1994 | \$ 11,338 | \$ 929 | \$ 10,409 | \$ 529,635 | 1.97 | 25,392 | \$ 410 |
| 1995 | 9,920 | 861 | 9,059 | 555,871 | 1.63 | 25,392 | 357 |
| 1996 | 8,605 | 791 | 7,814 | 620,668 | 1.26 | 25,392 | 308 |
| 1997 | 7,251 | 593 | 6,658 | 650,929 | 1.02 | 25,392 | 262 |
| 1998 | 5,871 | 491 | 5,380 | 703,997 | 0.76 | 25,392 | 212 |
| 1999 | 4,563 | 520 | 4,043 | 774,503 | 0.52 | 25,392 | 159 |
| 2000 | 3,244 | 547 | 2,697 | 827,881 | 0.33 | 29,827 | 90 |
| 2001 | 2,195 | 574 | 1,621 | 913,105 | 0.18 | 29,827 | 54 |
| 2002 | 1,050 | 167 | 883 | 1,019,647 | 0.09 | 29,827 | 30 |
| 2003 | 585 | 163 | 422 | 1,101,174 | 0.04 | 29,827 | 14 |

Ratio of Governmental Fund Debt Service to Total Expenditures

| Year | Debt Service | Total Governmental Expenditures | Ratio of Debt Service to Expenditures |
|------|--------------|---------------------------------------|---|
| 1994 | \$ 1,729 | \$ 7,526 | 22.97 |
| 1995 | 1,762 | 7,762 | 22.70 |
| 1996 | 1,755 | 8,444 | 20.78 |
| 1997 | 1,727 | 7,898 | 21.87 |
| 1998 | 1,681 | 10,510 | 15.99 |
| 1999 | 1,537 | 9,595 | 16.02 |
| 2000 | 1,496 | 9,630 | 15.53 |
| 2001 | 1,268 | 9,587 | 13.23 |
| 2002 | 1,201 | 11,719 | 10.25 |
| 2003 | 483 | 11,519 | 4.19 |

* Governmental long-term debt includes all general obligation bonds and contracts, but excludes special assessment bonds and employee-compensated absences.

Charter Township of Grand Blanc

Miscellaneous Statistics December 31, 2003

Construction and Property Values

| Year | Building Permits | | Property Values (Taxable Value) | | | | Abatement Property Act 198 |
|------|----------------------|-----------------|---------------------------------|------------------------------|------------------------|----|----------------------------------|
| | Number of Permits | Estimated Value | Residential | Commercial and Industrial | Total Taxable Value | | |
| 1994 | 842 | \$ 36,187,066 | \$ 348,040,300 | \$ 181,594,400 | \$ 529,634,700 | \$ | 42,523,300 |
| 1995 | 834 | 149,952,624 | 360,883,013 | 194,988,390 | 555,871,403 | | 32,270,800 |
| 1996 | 1,002 | 83,956,000 | 410,948,204 | 209,719,581 | 620,667,785 | | 16,504,005 |
| 1997 | 1,054 | 64,478,277 | 412,785,104 | 238,143,457 | 650,928,561 | | 32,279,800 |
| 1998 | 1,226 | 83,864,993 | 453,462,578 | 250,534,167 | 703,996,745 | | 43,905,400 |
| 1999 | 1,259 | 85,288,318 | 496,542,994 | 277,959,690 | 774,502,684 | | 41,937,004 |
| 2000 | 1,186 | 71,802,011 | 549,392,330 | 278,590,175 | 827,982,505 | | 43,388,167 |
| 2001 | 1,204 | 128,960,259 | 614,822,305 | 298,840,839 | 913,663,144 | | 41,659,749 |
| 2002 | 1,335 | 95,431,864 | 691,451,610 | 328,195,192 | 1,019,646,802 | | 31,402,999 |
| 2003 | 1,221 | 87,120,425 | 758,621,320 | 342,552,306 | 1,101,173,626 | | 33,384,356 |

Demographic Statistics (Source: U.S. Census data)

| | Federal Census Year | | | | |
|---|---------------------|-----------|-----------|----------|-------|
| | 2000 | 1990 | 1980 | 1970 | 1960 |
| Population | 29,827 | 25,392 | 24,413 | 19,229 | 9,418 |
| Per capita income | \$ 27,520 | \$ 20,050 | \$ 10,545 | \$ 6,535 | * |
| Median age | 36.0 | 33.7 | 27.6 | 24.4 | 26.1 |
| Education level, in years of schooling: | | | | | |
| Percent high school or higher | 92.1 | 13.6 | * | * | * |
| Percent Bachelor's degree or higher | 30.7 | * | * | * | * |
| School enrollment | 8,213 | 6,382 | * | * | * |
| Unemployment rate | 4.0% | 5.2% | * | * | * |

* Information not available

Charter Township of Grand Blanc

Miscellaneous Statistics (Continued) December 31, 2002

Other Statistics

| | |
|---|---------------|
| Date of Township formation | 1833 |
| Date of Charter Township adoption | June 22, 1978 |
| Area in square miles | 32.5 |
| Number of Charter Township employees | 112 |
| Police protection: | |
| Number of stations | 1 |
| Number of police personnel | 51 |
| Number of physical arrests | 1,873 |
| Number of traffic and parking violations | 4,371 |
| Fire protection - Fire coverage is provided through the Grand Blanc Fire Commission, serving both the City and Township of Grand Blanc: | |
| Number of stations | 3 |
| Number of fire personnel | 54 |
| Number of fire calls answered | 511 |
| Water and sewer system: | |
| Miles of water mains | 173 |
| Number of water customers per REUs | 14,043 |
| Annual water consumption (cubic feet) | 141,510,695 |
| Miles of sanitary sewer mains | 219 |
| Number of sewer customers per REUs | 19,167 |

April 5, 2004

The Board of Trustees
Charter Township of Grand Blanc
P.O. Box 1833
Grand Blanc, MI 48439-9990

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Grand Blanc for the year ended December 31, 2003. As a result, we offer the following comments and recommendations for your consideration:

Governmental Accounting Standards Board Statement 34

As previously communicated to you, Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a very different look to the financial statements. Preparing for this new reporting model has required a significant amount of effort by the Township's Finance Department.

Although there are many differences with this new reporting model, the major additions are as follows:

- Management Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.
- Government-wide Financial Statements: These additional statements adjust the **fund-based** statements into a combined, **township wide full-accrual** format. This allows a financial statement reader to see the Township from a long-term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets as well as long-term debt as part of the Township's financial picture.
- Budget Comparison: A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township compared to the final amended budget, but also as compared to the original budget for the General Fund and Major Special Revenue Funds.

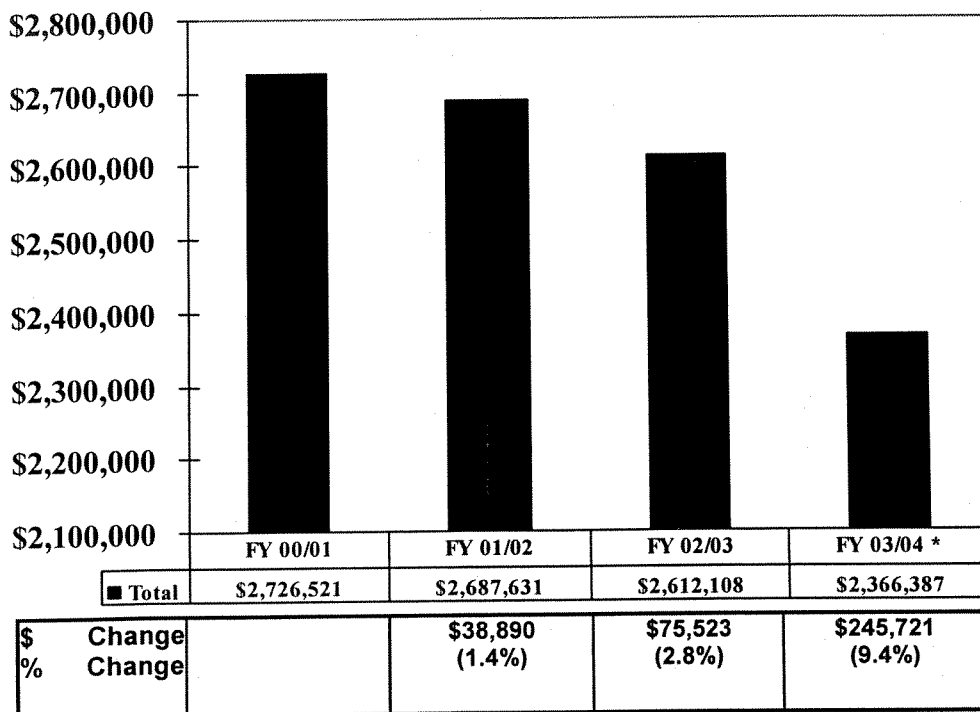
Revenue Sharing

As you are aware, revenue sharing payments for the State's fiscal year ended September 30, 2003 were reduced by 3.5 percent through a December 2002 Executive Order. The budget for the State's fiscal year ended September 30, 2004 includes an *additional* 3 percent reduction in revenue sharing payments from the estimated payments for the State's 2003 fiscal year. These cuts are compounded by reductions that result when sales tax collections are less than what is included in the State's projections. In December 2003, the Governor issued an executive order reducing revenue sharing for the State's fiscal year ended September 30, 2004 an additional 5 percent.

In February 2004, the Governor introduced her budget for the State's fiscal year ended September 30, 2005. For cities, villages and townships, the Governor's budget proposal is to keep revenue sharing levels for the September 30, 2005 fiscal year end at the September 30, 2004 fiscal year end levels. However, the proposal eliminates statutory revenue sharing for counties. There is considerable discussion in Lansing about further reductions to state shared revenue from the Governor's budget proposal for fiscal year ended September 30, 2005.

We have attached a chart to provide you with more detail on what has occurred with revenue sharing relative to Grand Blanc Township. The chart demonstrates the impact that these cuts in revenue sharing by the State have had on Grand Blanc Township. For the Township, revenue sharing funding levels are \$360,000 less in the 2004 fiscal year as compared to fiscal year 2001.

Total State Shared Revenue – Grand Blanc Township



*Projected (Data Source for all State Fiscal Years Michigan Department of Treasury.)

New Homestead Audit Program

Public Act 105 of 2003 provides new authority for local units of government and the Michigan Department of Treasury to share homestead information to determine if a resident is illegally claiming a homestead exemption on property. As you recall, following the passage of Proposal A in 1994, individuals in Michigan are allowed only one homestead for property tax purposes. A residence which is not an individual's homestead pays property tax at the non-homestead rate. The Michigan Department of Treasury will publish additional guidance related to this new law.

Personal Property Tax

As you are aware, the State Tax Commission approved several years ago new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that the use of the new utility tables results in approximately a 30% revenue loss on those properties. The Township, like many other communities, has elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of several lawsuits brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. To date, the new utility personal property tax tables implemented by the State Tax Commission have been upheld. The State is currently in the process of determining how refunds will be made on appeals filed by the utilities pending the final resolution of this matter. We encourage the Township to continue to monitor these developments as the Township could be negatively impacted by the outcome. The Township has estimated the potential refunds due to the utilities and have recorded a liability in the General Fund should this outcome be unfavorable and payment become due.

Municipal Finance Act - Reminder

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (June 30, 2004) and is good through the extended due date of the financial statement filings (June 30, 2005).

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is 2.3% for 2004 with an assessment date of December 2003.

Funding of Post-Employment Benefit Obligations

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the Township having to have an actuarial valuation to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30 year period. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes are expected to be effective 2008.

Internal Control Considerations

During the audit, we noted the following regarding the internal control structure:

- Bank reconciliations were not being reviewed each month by someone other than the preparer. All monthly bank reconciliations need to be reviewed by someone other than the preparer throughout the year. The Township has indicated this review is taking place as of 2004.

Accounting Issues

As the Township is in a transition period to fill the Finance Director position, several other individuals at the Township stepped up to fulfill some of the Finance Department responsibilities and to prepare for the audit. We commend the Township for the effort made to reconcile general ledger activity and to investigate old balances prior to the audit. We noted the following areas that may also need some attention during 2004:

Outstanding Bonds

Approximately \$100,000 of building bonds in the General Fund cash bond account relate to payments received by the Township in fiscal year 2002 or prior. The Township should review this list to determine if any of these bonds should be refunded or forfeited.

Timesheet Approval

There was one instance whereas an employee's timesheet and vacation time was not approved by a department head. All employees' timesheets should be reviewed and approved by a department head or another appropriate individual.

Accounts Receivable

Approximately \$14,000 of the General Fund account receivable billing account balance relates to transactions from 2001 and 2002 and may not be collectible. These receivables relate to expenses paid by the Township on behalf of contractors/developers for building department studies and testing that is required prior to the issuance of permits. The Township should identify the contractors/developers that may still have collectible balances and write off the difference.

Also, relating to the account mentioned above, the Township currently does not record an expense when disbursements are made by the Township on behalf of contractors/developers. Likewise, the Township does not record a revenue when the reimbursement is received from the contractors/developers. Instead, the Township is recording the entire transaction on the balance sheet only. The Township should consider recording the revenue and expenditure side of these transactions according to generally accepted accounting principles.

Special Assessment Receivables

The Township made a substantial effort to clean up old special assessment receivable balances that did not agree to the subsidiary ledger in 2003. The following accounts should also be addressed in 2004 since the balance has remained the same for the last several years:

| <u>Account #</u> | <u>Account Name</u> | <u>Account Balance 12/31/03</u> |
|------------------|-------------------------------|---------------------------------|
| 101-000-045-000 | Special Assessment Receivable | \$ (942.67) |
| 101-000-046-DEV | S/A Developer's Cost | (587.52) |
| 592-000-040-000 | Accounts Receivable | (150.00) |
| 592-000-045-750 | S/A Rec – Embury | 4,400.00 |

Pension Activity

As mentioned in the previous year, with the addition of another investment manager for the defined contribution pension plan in 2002, we believe that the Township should begin posting the financial activity of the plan to the general ledger on a quarterly basis. This would enable the Township to agree their contribution payments and post distribution payment and investment activity as reported on the investment statement. In addition, this would result in an internal control structure similar to that of other bank and investment accounts. We would like to note that although the activity was not posted on a quarterly basis, Mr. Cyphert was able to provide the annual financial information earlier than any other previous audit we had performed for the Township. The Township has communicated that pension activity is being recorded on a timely basis for 2004.

Pension Board minutes were not recorded and maintained for meetings that took place during 2003. Minutes should be recorded and maintained for all Pension Board meetings. It has come to our attention that minutes are being recorded for meetings taking place in 2004.

Road Assessments

The County did not charge the Township interest in 2002 and 2003 on road assessments for National Estates and Hickory Hills. The County has charged interest on road assessments in the past. The Township should follow up to determine if the County will be charging interest on these assessments going forward and if the County will try to collect interest on the 2002 and 2003 payments at some point in the future.

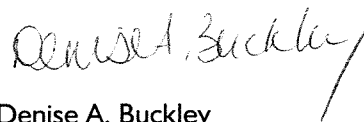
We would like to thank Mr. Jeff Cyphert, Mr. Jeff Zittel, the accounting department staff, and all other Township personnel for the cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Denise A. Buckley